AFRICA RECOVERY

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More debt-distressed African countries could qualify for HIPC relief

Creditors making 'major changes' in debt relief for poor countries

By **Christina Katsouris**

Leaders of the seven major creditor countries have proposed significant changes to the Heavily Indebted Poor Countries (HIPC) initiative, aiming to give deeper debt relief to more countries sooner. The revisions are to be finalized in September at the International Monetary Fund (IMF) and World Bank annual meetings of finance ministers and central bank governors.

"We have decided to give a fresh boost to debt relief," the Group of Eight leading industrialized countries — the Group of Seven (G7) plus Russia — declared at the end of its 18-20 June summit in Cologne, Germany. Creditors claim the changes could eventually cancel $100 bn of HIPC debt. But critics say the actual amount may be far less and that much more HIPC debt should be cancelled.

Martin Godwin

"Break the Chains of Debt," demanded thousands of protesters in the UK, a week before Group of Seven creditor governments, meeting in Cologne, Germany, promised deeper relief for the poorest debtor nations.

Pressure for change had been building since 1996, when the HIPC initiative was launched. Described as "great news for the poor of the world" by World Bank President James Wolfensohn, the initiative brought together all creditors — multilateral, Paris Club, other bilateral and commercial — as part of a scheme to provide 41 "debt-distressed" countries (33 of them African) with an "exit strategy" towards "sustainable" levels of debt. But by July 1999, HIPC had provided actual debt reduction to just four countries — Uganda, Bolivia, Guyana and Mozambique. Only three more, Burkina Faso, Mali and Côte d'Ivoire were due to benefit by 2001.

Frustration over the slow progress prompted African, Western, and UN figures to criticise the scheme for providing "too little, too late." It also fuelled an increasingly prominent campaign by Jubilee 2000, an international coalition of non-governmental organizations (NGOs), religious bodies and prominent individuals, that has mobilized the public in mainly creditor countries and lobbied governments to "Break the Chains of Debt" (see page 16).

Such pressures were among the reasons why major creditors themselves began to call for better terms. In late January, Germany's

turn to page 12

SPECIAL FEATURE

ECA Conference of African Ministers debates challenges of raising finance for the continent's development.

African governments have subscribed to the objective of reducing poverty by half by 2015. In order to do so, African economies need to maintain an annual average growth rate of 7 per cent, more than double the current level. Meeting in Addis Ababa in May this year, African ministers of finance, economic development and planning discussed how to mobilize domestic and external resources for poverty reduction, higher growth rates and sustained development. ***Pages 18-37***

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Is globalization bypassing Africa?

"Not quite," says UNDP's Human Development Report

By ***Sumana Raychaudhuri***

Today it is fashionable to speak of the global village — yet the *Human Development Report 1999*, published by the UN Development Programme (UNDP), indicates that not everyone is a full member of this village. The benefits of globalization have largely gone to the wealthiest nations: only the rich can cross borders freely and advanced information technology is scarcely available in parts of the developing world. This is especially true for Africa. Of the 174 nations the UNDP report ranks according to its "human development index," the 22 lowest are African.

While there are nearly 70 telephone lines per 100 people in Sweden, there are just 0.8 and 0.2 per 100 citizens in Kenya and Uganda, respectively. Only 0.1 per cent of the population of sub-Saharan Africa uses the Internet, whereas more than 35 per cent of Icelanders use it. Despite such shortcomings, the report reveals how several African countries have adopted creative approaches to bridge the information and technology gaps.

UN / B. Wolff

The Internet can provide up-to-date information on combating diseases, but few African doctors have ready access.

Health on the Internet

For a long time, one indicator of such global disparities was the fact that doctors in Africa had very limited access to up-to-date information about combating disease. While Nairobi University Medical School Library — a top medical school in East Africa — subscribes to only 20 journals, a typical US medical school subscribes to roughly 5,000. The Internet can provide information at affordable rates, but even in South Africa, the best-connected African country, universities usually have a single terminal that may have to be shared by up to 1,000 people.

HealthNet, an information service that connects 30 developing countries, including 22 in Africa, has found a way around this, the UNDP reports. It uses cheap computer networks based on radios and telephones and a low-earth-orbit satellite to give doctors access to medical libraries. Doctors in Central Africa used it to fight the Ebola virus outbreak in 1995, and malaria researchers in Ghana use it to keep in touch with the London School of Hygiene and Tropical Medicine.

Like doctors, small entrepreneurs in Africa once lacked access to the Internet. Now, an organization called PEOPLink displays on the Internet pictures of crafts produced by artisans in several African countries, thus enabling them to receive orders from around the world. Tropical Whole Foods, a company in the UK selling dried fruit produced by small businesses and cooperatives in Burkina Faso, South Africa, Uganda and Zambia, uses the Internet to avoid stockpiling and shortages. More such cooperative ventures are essential before African economies can participate more fully in global Internet traffic, notes the UNDP report.

Coping with trade and patent laws

Adoption of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) by the World Trade Organization (WTO) in 1995 has left African nations at a serious disadvantage, says the report. Before TRIPS, countries like Egypt allowed pharmaceutical processes to be patented, but not the final product, making it possible to produce cheaper generic versions of patented drugs locally. Under the new agreement, all countries must alter their laws to grant a 20 year patent on both processes and products.

On the other hand, patent laws do not recognize traditional knowledge. Bio-prospectors often use the knowledge of indigenous communities to develop profitable medicines, but fail to share profits with them. Even when bio-prospectors do share profits, the royalty share can be as low as 0.1 to 4 per cent in a country like Uganda. The US Parks Service, by contrast, negotiated a 10 per cent royalty when a company wanted to bio-prospect the Yellowstone National Park.

As a remedy for these inequities, the report suggests that the WTO check trade monopolies by multinational corporations. UNDP believes the WTO voting system to be fairer than those of previous international trade bodies, giving greater bargaining power to developing countries. This could lead to enhanced global governance, which is essential if globalization is not to leave behind more than half the world. "People in all parts of the world need to join in the debate and to make clear their interests and concerns," argues the report.

Harnessing the global market

While globalization has chiefly benefited the developed world, the UNDP report points out that some African nations have been able to capitalize on it without derailing longer-term development priorities. By encouraging exports while simultaneously emphasizing human development, Botswana achieved an average annual growth in per capita income of about 6 per cent in 1980-96, notes the report, showing that globalization can be made to work even for poor countries.

Mauritius managed to attract multinational companies by offering tax incentives. At the same time, it protected its national industries through tax holidays and import protection. Together, these measures created an export boom and generated healthy growth.

The report concludes that increased global interaction does benefit African nations, despite some of the current shortcomings. But they can benefit much more if the needs of the poorest countries and people are addressed through improved international governance. "The process of reinventing global governance must be broader," argues the report, "and human development can provide a framework.... It is time to change." ■

Namibian to lead UN General Assembly

Foreign Minister Theo-Ben Gurirab is 'the right man at the right time'

By ***Peter Mwaura***

Botswana's Permanent Representative to the UN Legwaila Joseph Legwaila describes the newly-elected president of the 54th UN General Assembly, Namibian Foreign Minister Theo-Ben Gurirab, as "the best diplomat that Namibia has ever produced." He says he used to compare Mr. Gurirab with the new President of South Africa Thabo Mbeki, when Mr. Mbeki was in charge of international relations for the African National Congress and Mr. Gurirab headed international relations for the South West Africa People's Organization (SWAPO).

"I used to think, and I have not changed my mind, that the two were the best diplomats Southern Africa could ever have," comments Ambassador Legwaila, who is the longest-serving African ambassador at the UN. He is thoroughly convinced that Mr. Gurirab "is going to do a very good job as president of the General Assembly."

Mr. Gurirab, 60, was elected on 14 September 1999 to preside over the General Assembly until September 2000. His presidency coincides with Namibia's membership of the Security Council, which runs from January 1999 to December 2000.

Ambassador Legwaila says Mr. Gurirab will actively support UN Secretary-General Kofi Annan's efforts to ensure that the international community does not forget Africa. "The General Assembly is where [every nation] is represented — 185 of us — and that is where the message of Africa being an important constituency for the UN should be heard loud and clear."

Pointing out that Mr. Annan is finding it difficult to convince the international community that Africa is as important as Kosovo, that African conflicts are human conflicts like the conflict in Kosovo and other parts of eastern Europe, the Botswanan ambassador asserts: "Ben will drum up the whole message. He will tell the international community that it should not forget that there is another place, called Africa, where there are conflicts — conflicts which predate the conflict in Kosovo, conflicts which have caused more deaths, more suffering than in Kosovo."

Mr. Gurirab may not be listened to more than the others who have been preaching the same message, "but he will be damned if he doesn't continue the same message," Ambassador Legwaila adds. "He should continue to make sure he sends the message to the international community. All of us, together with the Secretary-General, will be there to share the burden of running the United Nations. We will be there, all of us from Africa, to make sure he becomes a successful president of the General Assembly." But Mr. Gurirab "has broad shoulders," Ambassador Legwaila quickly points out. "I don't think the task of leading the General Assembly will be too difficult for him to bear."

UN

Mr. Theo-Ben Gurirab

"Over three decades of experience in politics, statesmanship, bilateral and multilateral negotiations and conciliation make Ben uniquely well suited for the presidency of the UN General Assembly, as does his intimate familiarity with a continent containing one-quarter of the UN's member states and one-sixth of the world's people."

— Mr. Maurice Tempelsman
Chairman, Corporate Council on Africa

'A deep concern with humanity'

Many interviewed by *Africa Recovery* agree. Mr. Frank Ferrari, who for many years was the senior vice president of the Africa-America Institute and who has known Mr. Gurirab from his days as the Chief Representative of SWAPO to the UN in the 1970s, says he is an excellent appointment. "I think he is an extremely distinguished person who brings a history of involvement with, and knowledge of, the United Nations. He embodies that spirit. I have always been taken with the way he has seen Africa as a global issue and how global issues impact on Africa."

Mr. Ferrari adds that the respect and esteem Mr. Gurirab had for the UN was always evident. "He brings a deep concern with the issues of humanity, which are as true today as they were ... back in those early days. And although [his new position] is one of policy direction and concern with the affairs of each and every member state, he always will keep humanity at the centre of policy."

Mr. Elombe Brath, leader of the Patrice Lumumba Coalition in Harlem who worked closely with the SWAPO leadership during its struggle for independence, says he finds Mr. Gurirab to be one of the most astute representatives who have come from any country, particularly in his relationship with the African-American community. "Mr. Gurirab has a grounding not only in the nuances and aspirations of the people of Namibia but also in coupling them with the aspirations of some of the most progressive minds in the African community in this country." Mr. Brath, who for some 40 years has been involved with African issues, believes Mr. Gurirab's position "will benefit all people of African ancestry through the new millennium."

Singapore's Permanent Representative to the UN Kishore Mahbubani describes Mr. Gurirab as "the right man at the right time" who brings great advantage to the job at a time when the UN faces enormous challenges, when "we are entering the new millennium."

Ambassador Mahbubani says it is important that Mr. Gurirab was selected because African issues have been marginalised, and "if you have a strong president from the African region he can help put them back in the forefront." The writer-diplomat recalls how he used to see Mr. Gurirab in the corridors of the UN working assiduously. "He was incredibly hardworking, always had a friendly smile and was a real member of the UN community."

Mr. Maurice Tempelsman, chairman of the Washington-based Corporate Council on Africa, says he first came to know Mr. Gurirab in the 1960s, when the cause of Namibian independence was only beginning to be widely rec-

ognized in the international community. His "exceptional skills" in an inhospitable context were readily apparent.

"Over three decades of experience in politics, statesmanship, bilateral and multilateral negotiations and conciliation make Ben uniquely well suited for the presidency of the UN General Assembly, as does his intimate familiarity with a continent containing one-quarter of the UN's member states and one-sixth of the world's people."

Mr. Tempelsman states that Mr. Gurirab's new responsibilities, along with Namibia's membership of the Security Council, also epitomize an exceptional degree of commitment by the country to the UN and its possibilities.

The Namibian commitment is at least partly rooted in history, Mr. Tempelsman notes. "The UN effectively served as midwife to Namibia's birth as a nation state, and the subsequent success of Namibia's policy of national reconciliation suggests what can be accomplished in surmounting the bitterest legacies of division when wise national leadership is combined with skilled diplomacy. We have now come full circle, with Namibia playing a leadership role in the UN when precisely these sorts of challenges are multiplying around the globe; and I believe Ben and his country have the opportunity to make a special contribution to their resolution." [See *Africa Recovery*, Vol. 12 No. 4, April 1999, for a country focus on Namibia.]

UN / Milton Grant

Voting in Namibia's first democratic election in 1989, organized by the UN. Namibia has now come "full circle," playing a leading role within the UN.

Long career in diplomacy

Mr. Gurirab's career in diplomacy started shortly after he fled into political exile from South Africa-occupied Namibia in 1962. Two years later in Philadelphia, while he was an undergraduate student at Temple University, SWAPO leader Sam Nujoma (now President of Namibia) appointed him and Mr. Hage Geingob (now Prime Minister) as SWAPO Representatives to the UN and the Americas.

Eight years later, Mr. Geingob joined the UN Secretariat and Mr. Gurirab took over from him SWAPO's stewardship at the UN. "Comrade Nujoma then gave me US$500 to run SWAPO business and also to take care of myself in New York," he recalls in a recent autobiography. "I was astonished when Comrade Nujoma recounted that episode so many years later to Ambassador Tuliameni Kalomoh and his staff in 1993 at our Embassy in Washington, DC. We had a good laugh about it."

Thorough knowledge of UN system

Mr. Gurirab was appointed Foreign Minister in 1990 when Namibia achieved independence. He has held that post ever since, becoming one of the longest serving foreign ministers in the world and dean of African foreign ministers. In April 1999 the University of Namibia awarded him an honourary Doctorate of Laws for his contribution to the liberation struggle and for helping to put Namibia on the world map.

Some of his earlier successes at the UN included getting SWAPO granted full permanent observer status, complete with privileges and immunities, and securing UN funding for the liberation movement's UN mission. "Except for voting I could now sit behind SWAPO's own sign in the august General Assembly chamber and participate in all its deliberations," he recalls. "In terms of conference diplomacy and political networking, I became part and parcel of the establishment and an expert buttonholer."

Ms. Maria de Almeida, who spent 14 years working for the UN Council for Namibia and who closely observed his work as SWAPO's Chief Representative to the UN, says Mr. Gurirab acquired in-depth knowledge of the UN structure. "He featured in every major organ of the UN and mastered the dynamics of how each of these bodies function. He was a skilled negotiator."

Ms. Almeida says Mr. Gurirab has tremendous institutional memory. "Having him preside over the affairs of the General Assembly is like having another Kofi Annan — two sons of Africa with monumental knowledge of the system running the UN."

Mr. Olara Otunnu, who is now the UN Secretary-General's Special Representative for Children in Armed Conflict and was Uganda's Permanent Representative to the UN from 1980 to 1985, confirms this observation. "He knows the United Nations exceedingly well. He has spent a lot of time inside the United Nations. He knows the issues. He knows the processes. He knows some of the key personalities. He knows the history very, very well."

Mr. Otunnu adds that Mr. Gurirab is also "somebody who is very committed. Whatever he undertakes, he throws his mind and heart into it."

Mr. Otunnu further points out that Namibia is a country which, after a peaceful transition to independence, moved to consolidate peace within a context of genuine democracy. "That is a very good example in a continent where both democracy and peace are still relatively rare. So [Mr. Gurirab's presidency] is a good choice of a country and a good choice of an individual. All those factors should make him a very successful president of the General Assembly." ■

Africa reconfirms Cairo population goals

Five years later, much progress despite financial constraints

By **Sumana Raychaudhuri**

Five years after the 1994 International Conference on Population and Development (ICPD) in Cairo, Egypt, African nations have reaffirmed their commitment to the programme of action. In a special session of the UN General Assembly, held in New York in June 1999, the 179 signatories to the Cairo plan assessed the progress made so far and examined problems dogging the implementation of the programme of action, which argued that the best way to slow down population growth is through enabling the individual to attain his or her reproductive rights. The plan also affirmed that achieving universal adult literacy is a crucial tool for empowerment (see box, next page).

"In Cairo, everyone agreed on the need to mobilize new financial resources — from within developing countries, and also from the international community," said UN Secretary-General Kofi Annan, addressing the "Cairo plus five" conference in New York.

Financial gap

So far, roughly four-fifths of the funds spent on population programmes have come from the developing countries themselves, though industrialized nations had originally promised to bear a third of the costs. "There remains an enormous difference between what was pledged [by developed countries] and what has been provided. Indeed, some of this assistance has declined," Ms. Mervat Tallawy, Minister of Social Affairs of Egypt, reminded the conference. Egypt had a century-old history of cooperation between government, the private sector and civil society, which had enabled it to reduce its birthrate from 3.18 per cent in 1997 to 2.75 per cent at present, she said. During the same period, the use of family-planning methods rose from 24.2 per cent to 54.5 per cent, and fertility declined from 4.4 to 3.3 children per woman. "Social expenditures now account for 39 per cent of Egypt's general budget," she said, "double the level recommended by the 20/20 initiative... Developing countries have conscientiously fulfilled their own responsibilities and more in order to maintain what they already have." Further improvements would require increased assistance, she stressed.

The 20/20 initiative, originally launched by the UN Children's Fund (UNICEF) and other agencies, asks developing countries to allocate 20 per cent of their national budgets to basic social sectors, and says that at least 20 per cent of international aid should be allocated to meeting the minimum needs of the world's poorest people.

While developing countries have largely integrated the Cairo Plan into developmental and demographic programmes, their efforts have been partly stymied by a number of unforeseen circumstances. Natural disasters like prolonged drought in sub-Saharan Africa; continued economic stagnation and resulting financial crises in many poor countries, including some with ongoing structural adjustment programmes; plummeting prices of primary export commodities; and social instability, regional wars, and civil strife in various parts of the continent; spending on arms; and debt servicing all have limited the funds available to population programmes. Predictably, these have affected development and health negatively, especially for women.

The chronic shortage of funds was, in fact, the common concern of countries with active population programmes. "Ghana is determined to continue to implement the ICPD Programme of Action to the letter and in this regard we are committing as much resources as we can to the social sector," said Mr. Kwamena Ahwoi, Ghana's Minister of Local Government and Rural Development. He noted, however, that Ghana has serious resource constraints resulting from policies that try to juggle the inconsistent demands of macro-economic stability and unsustainable external debt servicing in the face of limited economic potential. Moreover, he said, there are shortages of trained personnel, inadequate health care services — especially in rural areas — and certain traditional socio-cultural beliefs and practices. Such problems are typical across Africa.

Another pervasive African problem is the impact of large-scale human displacement. Mr. Christon S. Tembo, the Vice-President of Zambia, stated that his country has a population growth rate of 3.1 per cent coupled with a stagnant economy. Poverty levels are estimated at 70 per cent, and 48.3 per cent of the population is under 15 years old. All this creates an enormous pressure on the government's already scant resources. Moreover, he said, "Being a stable and peaceful country, Zambia has provided a natural sanctuary for displaced persons fleeing from civil strife in their countries. In addition, my country's involvement in resolving regional conflicts has put tremendous pressure on our meagre resources."

One of the greatest concerns of African nations is the HIV/AIDS pandemic. It has knocked years off the lives of large sections of the populace, implying a corresponding setback in developmental gains. The safety and survival of an entire generation of children is also affected. "South Africa's demographic profile is expected to be severely affected by the HIV/AIDS onslaught which will also have devastating socio-economic consequences," said the permanent representative of South Africa to the UN, Mr. Dumisani S. Kumalo. "Having been recognized as more than just a health issue, the HIV/AIDS campaign is a national pri-

Trends in public spending on population activities since 1994

% of African governments[1]

Activity	Increased	Maintained	Decreased
Reproductive health and family planning	76.5	14.7	8.8
Adolescent reproductive health	64.3	25.0	10.7
Primary health care	76.5	14.7	8.8
STDs[2] & HIV/AIDS	77.4	12.9	9.7
Female school enrolment	76.7	13.3	10.0

1 Depending on the activity, the number of reporting governments ranged between 28 and 34.
2 Sexually transmitted diseases.

Source: Follow-up Committee on the Implementation of the Dakar/Ngor Declaration and the ICPD Programme of Action, 1998.

ority, led at the presidential level and is aimed at changing behaviour and attitudes, beyond mere awareness." Problems remain, however, as medicines can be prohibitively expensive. Yet, Uganda has been especially successful in combating this epidemic. The UN Programme on HIV/AIDS (UNAIDS), UN agencies, bilateral donors, and African countries have been aggressively battling this disease.

For many African countries, as with most of the developing world, another concern has been the inordinately high number of women who die every year as a result of pregnancy and childbirth. To reverse this trend, many argue that comprehensive programmes for reproductive health education are as necessary as trained nurses and easily accessible health services. Family size has declined as access to safe contraception has improved, but millions of couples still lack access to contraceptive methods. The demand for reproductive health services like family planning, sexual health, and infertility treatment remains largely unmet in these countries, where population programmes are severely hampered by inadequate funds. Development practitioners worry about these shortcomings since the choices that young people make regarding the timing and spacing of their children will determine the pace of future population growth.

Highlights of the 1994 ICPD Programme of Action

The Cairo action plan was based on the consensus opinion among the world's nations that the growth of the world population — from 2 billion people at the beginning of the century to 6 billion at the end of the century — has created inordinate demands on limited resources, and that this trend needs to be reversed. It stated that, rather than continue the traditional approaches that depended principally on coercion, any strategy to stabilize world population growth and achieve sustainable development should address the following points:

- Reproductive rights are an intrinsic part of human rights. Health services should be improved and made readily available so that women possess greater control over matters relating to their sexuality, including sexual and reproductive health. Rights of vulnerable groups like women, migrants, and people suffering from HIV/AIDS require special attention.
- National policies need to shift from top-down approaches to family planning that depend on coercion to ones that emphasise overall reproductive health care.
- The question of gender inequality needs to be addressed as a basic step towards sustainable development.
- Achieving universal adult literacy is an essential step for a better future for all.
- Governments and NGOs need to share the responsibility for implementing the ICPD Programme of Action.
- Developed countries would provide one-third of the funds that developing countries need to provide basic reproductive health care to their citizens.
- Different countries need to take into account their specific economic, cultural, social, religious, and environmental contexts when implementing the Programme of Action to achieve their common goals.

African achievements

While most of the country reports stressed the problems, the follow-up committee on the implementation of the Dakar/Ngor Declaration (adopted by African countries before the 1994 Cairo conference) and the ICPD Programme of Action reported some of the best practices in different fields:

- **Reproductive health and rights:** Countries like Burkina Faso, Burundi, Côte d'Ivoire, Guinea, Niger, São Tomé and Príncipe, Senegal, Tanzania and Togo have integrated family planning and safe motherhood into their public health care system. Ethiopia and Guinea have abolished antiquated laws on abortion, while Ghana and Kenya no longer require spousal consent for the supply of contraceptives or sterilization. The Central African Republic, Ethiopia, Niger, and Togo have undertaken health education campaigns to prevent sexually transmitted diseases and harmful traditional practices. Uganda has drastically reduced the incidence of AIDS, maternal mortality rates, and the number of girls who have undergone female genital mutilation, the latter by 36 per cent.
- **Family, youth and adolescents:** A number of countries have adopted the approach of the World Health Organization and UNICEF for an integrated management of childhood diseases. Non-governmental organizations (NGOs) have set up crises centres and legal clinics for counseling and research in Uganda and Southern African countries to address dangerous practices like wife beating. Uganda has launched a Programme for Enhancing Adolescent Life to counsel out-of-school adolescents on reproductive health while providing recreational facilities and mobilizing political and community support. Botswana too has similar programmes.
- **Gender equality, empowerment of women, male involvement:** Most countries have created sensitization programmes to reduce discrimination against women, and about 71 per cent are conducting gender-oriented surveys and research. Countries like Kenya, Uganda and Mozambique are encouraging equal participation of men and women in decision-making processes. Ghana has formulated a national action plan with time-bound targets for implementation.
- **Role of NGOs:** A number of NGOs are trying to help hard-to-reach groups like refugees, prostitutes, and persons in remote areas. Many are providing "one-stop" clinics, involving males, and forming "umbrella" organizations.
- **Advocacy:** People are being made aware of their reproductive rights and responsible parenthood; safe sexual behaviour is being promoted; men are being mobilized to participate in reproductive health programmes.

In New York, the assembled nations reaffirmed the Cairo consensus, namely, that the key to solving demographic problems is to create socio-economic conditions that enable individuals to exercise their basic human rights, including reproductive rights. "The Cairo Programme of Action was a landmark," said Ms. Clare Short, the UK Secretary of State for International Development. "It was based on the link between sustainable development and human development. It gave us the right agenda for population. An agenda focused on people and their health, poverty elimination and the sustainable economic growth necessary to reduce poverty." Among donor countries, the UK, Japan, Denmark, and Norway urged developed countries to reverse the trend of shrinking aid to developing countries. The conference ended on a note of consensus that much remains to be done before the world becomes a more equitable place for all. ■

UN promotes African peace efforts

Secretary-General Kofi Annan brings message of hope to OAU summit

By **Amma Ogan**

Addressing the annual summit meeting of the Organization of African Unity (OAU) in Algiers on 12 July, after nearly a week touring five countries in West Africa, UN Secretary-General Kofi Annan struck a hopeful note. He stressed the considerable progress the continent has been making in recent years: impressive economic growth, improvements in democratization and governance, determined moves toward peace in a number of war-torn countries, and reforms that have created an attractive policy environment for foreign investment (see page 26). In short, he said, "the overall picture in Africa today is nowhere near as gloomy as it seems to those elsewhere."

Yet there also are many areas of concern, Mr. Annan observed. Conflicts persist in Angola, the Congo Republic and between Ethiopia and Eritrea, while the cease-fire agreement in the Democratic Republic of Congo, negotiated just before the OAU summit, had yet to be signed by all parties. Economic and social development has lagged. The AIDS plague kills 5,500 Africans every day, and is also "devastating our economic prospects."

"We Africans have to fight back," the Secretary-General told the continent's assembled heads of state. "We have to face unpleasant facts and confront them head on." Most Africans, he noted, already are confronting their problems "with courage and imagination. These are people who deserve help, and have shown they know how to use help when it comes."

Difficult path toward peace

Echoing the broader discussions at the OAU summit over how Africans themselves can help prevent or resolve armed conflicts on the continent, Mr. Annan devoted a significant portion of his speech to recent and on-going peace efforts. This emphasis was because war, he said, "destroys the development already achieved. It blights the prospect of whole nations, indeed the whole continent. Conflict in some countries jeopardizes the development of all the others, even the best governed."

During three of his prior stops in West Africa — in Guinea, Liberia and Sierra Leone — Mr. Annan focused on the difficult process of post-conflict reconstruction and reconciliation. Noting the recent peace agreement in Sierra Leone, following the end of Liberia's civil war in 1997, he urged his audiences to look beyond the simple absence of war and work towards establishing an environment of human security in which the rule of law could take hold.

Reconstruction

Mr. Annan emphasized that Sierra Leone and Liberia both face a formidable task of national and economic reconstruction. In Sierra Leone, the most immediate issue is implementation of the agreement on disarmament and ensuring that a new peacekeeping operation is established, involving the UN, the international community, and components of ECOMOG, the multinational peacekeeping force set up by the Economic Community of West African States (ECOWAS). At the OAU summit, this was a matter of some concern to President Olusegun Obasanjo of Nigeria, which had spearheaded the ECOMOG forces in both Liberia and Sierra Leone.

Sierra Leone, like Liberia, urgently needs humanitarian aid, Mr. Annan asserted. So does Guinea, which today hosts some 700,000 refugees from Liberia and Sierra Leone — equivalent to 10 per cent of Guinea's entire pop-

Africa needs more humanitarian aid, says Annan

UN humanitarian agencies and their partners have been appealing for $796 mn to assist more than 12 million people in Africa this year, but less than half that amount, $352 mn, has been received, UN Secretary-General Kofi Annan said with alarm on 12 August. The needs of these victims of war and natural disasters are reaching "irrevocable crisis proportions," said the statement by the Secretary-General's spokesman.

UN

"We Africans have to fight back. We have to face unpleasant facts and confront them head on."

Mr. Annan observed that many donor countries currently are experiencing economic growth and robust budget surpluses, yet international aid budgets continue to stagnate or decline. He appealed to donors to make a "special effort" to help the victims in Africa.

Because of the current shortfalls, humanitarian programmes have had to be cut back and even life-saving assistance often is not being provided where it is urgently needed. In Angola, Mr. Annan noted, some 200 lives are being lost each day as the civil war intensifies. Supplies to assist the 2 million Angolans seriously affected by the war "are simply insufficient," he said. In southern and central Somalia, through a combination of conflict, six consecutive poor harvests, and poor prospects for the current harvest, at least 1 million people are threatened with famine.

Mr. Annan cited several other countries in which serious humanitarian needs cannot be met because of the poor donor response: the Republic of Congo, Burundi, Guinea-Bissau, Sierra Leone, Democratic Republic of Congo, Ethiopia and Eritrea.

According to a report issued in August by the UN Food and Agriculture Organization (FAO), 16 countries in sub-Saharan Africa are facing "exceptional food emergencies," for a variety of reasons, including civil strife, population displacement, unfavourable weather, poor harvests and localized food deficits. Only three of the countries were not affected to some extent by armed strife or its after-effects. In Ethiopia, for example, 5 million people, 385,000 of whom were displaced because of the war with Eritrea, need emergency food aid, notes FAO.

A number of the countries afflicted by war, Mr. Annan pointed out, have recently taken steps toward peace. "These advances are tenuous," he added, "and must be bolstered by the provision of aid."

ulation. These refugees are unlikely to return home until their safety and security are assured, and they receive some essential assistance.

Decline in aid

Such international assistance, however, has not reached the levels that these countries require, and throughout his tour Mr. Annan was often asked, "Has the rest of the world forgotten we are here?" At the Algiers summit, he criticized the overall decline in international aid to Africa, observing that donor governments, "driven by short-term publicity," often fail to realize that "healthy development is the best long-term conflict prevention we know."

While welcoming the cease-fire accord in Sierra Leone, the Secretary-General also noted the UN's objection to the amnesty clause in the agreement, thereby stressing that crimes against humanity, such as the murder and mutilation of civilians, should not go unpunished.

As Mr. Annan was travelling in West Africa, he also remained directly engaged with efforts to resolve the conflict in the Democratic Republic of Congo, conducting frequent consultations with Zambian President Frederick Chiluba and OAU Secretary-General Salim Ahmed Salim. This culminated in the signing on 10 July of a cease-fire agreement by six governments involved in the conflict. Mr. Annan urged all major parties, including rebel forces, to sign the agreement and begin implementing it.

Spotlight on arms trafficking

In the context of its peace efforts, the OAU summit also took up the increasing proliferation of small arms in Africa, which has facilitated both war and crime. The African heads of state mandated OAU Secretary-General Salim to convene a regional conference on the issue, to make recommendations for inter-African cooperation to limit the use, transfer and illegal manufacture of small arms. It also welcomed the moratorium on small arms transfers declared by ECOWAS and the programmes to collect and destroy illegal small arms initiated by South Africa and Mozambique.

Senegal, another of the countries visited by the UN Secretary-General, expressed particular concern about illegal arms trafficking, especially since it has been an element in the long-standing armed conflict in its southern region of Casamance.

In Algiers, Mr. Annan lauded the bonfire to be lit later that month of weapons decommissioned from Liberia's civil war, a "symbolic display that bodes well for the consolidation of peace in that country." But he also urged countries that are major manufacturers and exporters of arms to do more. "To stem the flow, particularly of illegal weapons," he said, "we need cooperation and decisive action from the countries that produce them."

UN / Esmonde Debebe

Mr. Annan meeting refugee children from Sierra Leone and Liberia, at a camp in Guinea: Insufficient aid is hindering repatriation and reconstruction efforts.

Democratic change, not coups

Among the more hopeful trends in Africa, Mr. Annan observed, has been continuation of the continent's democratization process. Two milestones this year were South Africa's second set of democratic elections and the return to civilian rule in Nigeria "through a fair, free and democratic process," he said. Having also stopped in Nigeria on his West African tour, Mr. Annan praised former President Abdulsalami Abubakar for his "real statesmanship" in steering Africa's most populous nation in a democratic direction, and current President Obasanjo for providing Nigeria with "dynamic and visionary leadership."

At the same time, Africa has suffered some setbacks, Mr. Annan added, as exemplified by the military coups in the Comoros, Guinea-Bissau and Niger over the past year. These marked "new deviations" from the principle agreed at the OAU summit in Harare two years ago that duly elected governments should not be overthrown by force. The OAU summit in Algiers passed a resolution calling on all military regimes that had emerged since the Harare meeting to democratize within a year or face sanctions.

Africa not alone

The political picture across Africa, therefore, remains mixed. The UN Secretary-General commented that in some countries the people "are struggling against their government" or are struggling "in places where government hardly exists. But government is not always the villain. More and more African governments are showing that they know the problems they are up against, and taking difficult, brave decisions to deal with them."

Those countries making determined moves toward peace, good governance, and development "will not be alone," Mr. Annan assured the OAU summit participants. "The United Nations and its funds and programmes are working alongside you."

That message was, in fact, one of the main purposes of his African tour. At each of his stops, Mr. Annan sought to demonstrate the UN's continued commitment to Africa. By highlighting the progress that Africa's people and leaders are making, he also sought to convince the rest of the international community to devote greater attention and resources to the continent's most pressing needs. ■

How to combat women's poverty?

UN's ECOSOC examines role of employment in poverty reduction

The fact that half of the world's population lives in poverty today, up from one-quarter 25 years ago, is an "inescapable blot" on the record of human progress, remarked UN Secretary-General Kofi Annan in his opening address before the 1999 session of the UN Economic and Social Council (ECOSOC). Poverty eradication was the overarching theme of the entire ECOSOC session, held in Geneva from 5-30 July. The Secretary-General's report on "The role of employment and work in poverty eradication: the empowerment and advancement of women," provided the sub-theme for discussions during the ECOSOC session's opening (high-level) segment, held from 5-8 July.

Debt relief is just "one very important component in a comprehensive approach to poverty reduction."

— James Wolfensohn
World Bank President

People living in sub-Saharan Africa are the most deeply mired in poverty, with incomes the furthest below the poverty line worldwide, observes Mr. Annan's report. Moreover, the number of absolute poor continues to rise while the "face of poverty" is changing: in the next century, a poor person will more likely be an unskilled female earning low wages and living in urban Africa or Latin America than a male small-holder living in rural Asia. Therefore, strategies designed to combat the discrimination and disadvantage faced by women "must be central to successful poverty reduction," the report says.

Create jobs for women

Ms. Angela King, Assistant-Secretary General in the UN Department of Economic and Social Affairs and Special Adviser on Gender Issues and Advancement of Women, noted that women make up a larger share of the unemployed and underemployed than men do. She urged national policymakers to develop strategies for employment creation and poverty eradication that give full and equal recognition to women's roles as providers for themselves and their families, while also taking into account that women shoulder the extra burdens of family and caring work. Failure to take a gender-sensitive approach in policymaking risks skewing outcomes to the disadvantage of women and society at large, she warned.

South African Minister of Welfare and Development Zola Skweyiya said his country's policymakers have devoted increased attention in recent years to the linkage between employment and poverty reduction by implementing legislation and programmes to empower women and improve their quality of life. Dr. Skweyiya mentioned several recent initiatives, including the 1998 Employment Equity Act, which aims to create an equitable society and prevent employment discrimination. Also, a national gender audit, coordinated by the Office on the Status of Women and due to be completed by September 1999, is intended to result in a National Plan of Action on Gender.

A communiqué adopted at the end of the high-level session focused on the mutually reinforcing relationship between employment, poverty eradication and gender equality. It stressed that all poverty eradication strategies must promote dynamic, sustained and human-centred economic growth and development in a manner that generates employment; put a "human face" on the global economy to ensure that markets work for everybody, especially women and vulnerable groups; provide an enabling environment to ensure that markets function efficiently while creating equitable systems of social protection; and encourage women to participate equally with men in planning, decision-making and implementation.

Policy dialogue

On the first day of the high-level segment, ECOSOC held a policy dialogue with the heads of the international financial and trade organizations to review the global socio-economic situation. International Monetary Fund Managing Director Michel Camdessus, World Bank President James Wolfensohn, UN Conference on Trade and Development Secretary-General Rubens Ricupero, and Mr. David Hartridge, Director-in-Charge of the World Trade Organization, led discussions on how poverty has been affected by factors such as the huge debt burden carried by many countries, particularly in Africa, and globalization of the world economy.

Mr Wolfensohn emphasized that "debt relief does not stand alone" and cautioned that funds for poverty reduction should not be diverted to debt relief. Arguing that debt relief is just "one very important component in a comprehensive approach to poverty reduction," Mr. Wolfensohn reminded the meeting participants that policy responses should address all of the social, institutional and policy weaknesses faced by poor countries.

Similarly, Mr. Camdessus cited debt relief as just one among three elements that he feels are prerequisites for an "enabling international environment for poverty alleviation." Calling for a tighter link between debt relief and social spending, he urged governments to ensure that funds freed by debt relief are earmarked for human investment and development. And, thirdly, he pointed to the need to increase official development assistance (ODA) flows to accelerate poverty reduction.

Globalization and trade

Addressing the impact of globalization, Mr. Ricupero stressed that "development should be as much female as export-led." Trade liberalization "might do wonders" for the world's poor, especially women and other disadvantaged groups, if it could be achieved in a "gradual, equitable and balanced way," he added.

Commenting on the role of the international community in poverty eradication, Mr. Percy Metsing Mangoaela, Permanent Representative of Lesotho to the UN, also underscored the importance of trade liberalization — particularly in sectors like agriculture that are key to developing economies — as well as increased ODA levels. Mr. Mangoaela concluded by urging the international community to "strengthen its political commitment to meeting its obligations on resources."

Mrs. Netumbo Nandi-Ndaitwah, Director-General of the Department of Women's Affairs in Namibia, also underlined the importance of "tangible political commitment" in the fight against poverty. Noting that there has been no dearth of initiatives in the global poverty eradication campaign, Mrs. Nandi-Ndaitwah said that governments face an enormous task in actually implementing those initiatives. ■

Empowering the poor is essential

'Feminization' of poverty should be a key African concern, says OSCAL

While Africa's poor face issues as diverse as the people themselves, some notable geographic and demographic categories and trends in African poverty can be identified, says an issues paper circulated by the UN's Office of the Special Coordinator for Africa and the Least Developed Countries (OSCAL) among participants in the high-level segment of the 1999 session of the UN Economic and Social Council (see previous page).

Poverty has a disproportionately severe impact on African women, says the issues paper, "Measures to Stimulate an Enabling Environment for an Effective Implementation of Anti-Poverty Strategies in Africa." Therefore, OSCAL, which is within the UN Department of Economic and Social Affairs, cites the feminization of poverty as an "important concern" for the continent.

Because their work in the home and the workplace tends to be undervalued, African women often are expected to work longer hours than men do, in low-wage jobs under poor conditions. Moreover, African women's prospects for improving their quality of life remain poor because of their high number of dependents, limited access to economic resources and lack of education. These observations underline the interrelationship between poverty, unemployment and gender discrimination — a central theme of the high-level segment of the ECOSOC session.

OSCAL's study categorizes children, the elderly, and internally displaced and refugee populations as among those most vulnerable to poverty in Africa. And while poverty is "predominantly a rural phenomenon" at present, urban poverty is becoming an "increasing reality" in Africa, largely because rural-urban migration and urban growth rates are higher than those on other continents.

Bottom-up development

Although certain vulnerable groups can be identified, poverty in Africa is so large in scope, complex and multidimensional that no single, guaranteed solution could be possible, concludes OSCAL. But the conclusions stress that participatory, bottom-up approaches should be favoured over top-down approaches, which tend to reinforce dependency and further stigmatize the poor. Drawing on the work of Nobel Peace laureate Amartya Sen and other development economists, one of the OSCAL paper's main themes is that effective poverty solutions must be people-centred, empowering the poor themselves to tap their own, local resources.

Accounting for an estimated 20 per cent of the continent's total economic output and creating as many as 70 per cent of all new jobs this decade, Africa's informal sector is lauded as an "outstanding" example of bottom-up development. Women have a particularly strong presence in the small entrepreneurial ventures that make up the informal sector (although the sector's participants cut across all social groups). The study cites formal and informal education, technical and vocational training and microcredit schemes as key to empowering informal sector participants. It deems microcredit an especially important element in view of the general inability of poor people to access formal credit services, particularly in rural areas.

Women are particularly active in Africa's robust informal sector.

OXFAM

Because many non-governmental and grassroots organizations, women's organizations and other civil society organizations (CSOs) are participatory, responsive to local needs and able to mobilize communities and empower specific groups of poor people, they have an important role to play in poverty eradication at the local level. CSOs also tend to be more flexible than national governments and better able to target resources to specific groups, notes the study.

Macro-economic policy impact

At the same time, the study points out that anti-poverty strategies at the national level tend to give too much emphasis to micro initiatives and insufficient attention to the impact of macro-policy on the poor. National governments are advised to place a higher priority on the reform of marketing, pricing, tax and credit laws and policies to improve poor people's access to productive resources.

While the focus of poverty eradication must be at the local, national and regional levels, a decisive commitment at all levels — including international — is a prerequisite to sustained poverty eradication, says the paper. The international community has a crucial role to play in helping create and maintain an enabling environment for the sustained growth of African economies, especially by providing debt relief, development assistance and market access. ■

Debt

from page 1

new Chancellor Gerhard Schröder set the agenda for the summit he would be hosting in June when he announced a "Cologne Initiative" designed to broaden access to an accelerated and more flexible HIPC package. Canada, the US and France followed suit, with the UK in turn reiterating the "Mauritius Mandate" it had proposed in 1997 to bring a maximum of HIPC candidates into the process by the millennium.

Towards 'HIPC-2'

The main shortcomings of "HIPC-1" include its restrictive criteria for eligibility, any one of which can disqualify a country. Its guidelines deem debt to be sustainable at 200-250 per cent of exports, and 280 per cent of revenues, and generally exclude countries with lower debt-to-income ratios from receiving HIPC relief. Another flaw is the six years it usually takes to qualify for actual debt reduction for countries starting adjustment programmes after 1996.

Debt cancellation under HIPC is intended to free up more public spending for education and other vital social needs.

The G7 — Russia was hardly involved — has now proposed lower "sustainability" targets. It says that debt should be cut to 150 per cent of exports or to 250 per cent of revenues, both in net present value terms (the discounted market value of the debt if repaid in one lump sum).

This would creak open the window for more countries to qualify for relief, admitting those excluded earlier because their projected ratios were deemed "sustainable." The change also means more debt would be written off to achieve the lower targets.

Creditors also aim to lower the hurdles for HIPCs seeking relief on grounds of fiscal distress — those with insufficient domestic revenue to service debt. The rules currently limit the "fiscal window" to countries with larger export sectors and revenue bases. The rules were part of the compromise forged in 1997 between France and other major creditors that enabled Côte d'Ivoire to qualify, while limiting other potential entrants. To date, only one other country, Guyana, has entered through this window.

The new revision would admit countries with exports-to-gross domestic product ratios of at least 30 per cent, and revenue-to-GDP ratios of at least 15 per cent, instead of the current 40 per cent and 20 per cent respectively.

Perhaps the most far-reaching G7 proposal is to shorten the six-year qualification period for debt reduction. Current guidelines divide the period into two three-year phases, during which a country must meet the targets of an enhanced structural adjustment facility (ESAF), under IMF surveillance. The first phase takes a country to "decision point," when final target ratios of debt are set, and the second to "completion point," when debt is reduced. The point of the six years is to establish a "track record" of good performance.

Creditors have shortened the qualification period for countries which began adjustment programmes before HIPC was launched in 1996: Uganda, which had undergone a decade of exemplary adjustment, reached completion in April 1998, some 18 months after HIPC-1 was launched, while Mozambique completed in just under three years.

Still six years, or less?

The language of the G7's new proposal on the timing of relief suggests much will remain discretionary. The G7 said that "debtor countries should be allowed to advance the completion point through improved performance," adding: "The second stage could thus be shortened significantly if a country meets ambitious policy targets early on." Despite the vagueness, some analysts say this will shorten the period to three years, although a country is expected to maintain adjustment policies after getting debt relief.

Creditors also recommend that multilateral institutions such as the World Bank, IMF and African Development Bank provide interim relief prior to debt reduction, in the form of reduced debt service payments. This would provide faster relief than under HIPC-1, which converts long-term credits into grants.

UNICEF / Betty Press

The G7 also urges multilateral institutions to increase the amount of debt that is reduced immediately after completion point — known as "front loading" — in order to lower debt service payments in the early years. Two of the next three scheduled HIPC beneficiaries may have to pay higher debt service than before. Front loading and the interim assistance would also liberate more funds for investment in poverty reduction.

Higher ceiling on bilateral relief

Another major G7 proposal is to raise the current cap on bilateral debt relief to 90 per cent, and "more for individual cases if needed." This is a logical corollary to reducing the "sustainability" ratios. It also addresses countries that

have predominantly bilateral debt.

A basic principle of HIPC-1 is that of "equal burden sharing" among all creditors. Part of the deal was that for HIPC qualifiers, the Paris Club would raise its 67 per cent ceiling on debt relief to 80 per cent of eligible bilateral debt. But in Mozambique's case, 80 per cent was still insufficient to enable bilateral creditors to fulfil their part of the deal to reduce the country's debt to 200 per cent of exports.

When Mozambique reached completion point in June 1999, there was a financing gap of $170 mn between the respective "burdens" of its multilateral and bilateral creditors. With the Paris Club resisting pressure to raise its ceiling, the impasse was resolved after tough negotiations between creditors, when some Paris Club members agreed to provide the required financing. Analysis by NGOs suggests that 11 other countries could face financing gaps at the 80 per cent ceiling.

Finally, the G7 plan calls on all bilateral creditors to cancel debt arising from official development assistance (ODA), which would extend a practice implemented by many G7 countries already.

HIPC-1: the story so far

- When creditors launched the initiative in 1996, they listed 41 countries as potentially eligible for HIPC treatment. These were: Angola, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Ethiopia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Kenya, Laos, Liberia, Madagascar, Malawi (which replaced Nigeria on the original list), Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Vietnam, Yemen, Zambia. Since then, creditors have reviewed the eligibility of 12 HIPCs.
- So far only four countries have had their debt reduced: Uganda, which received $347 mn (in net present value terms) in April 1998; Bolivia, which received $448 mn in September 1998; and Guyana and Mozambique, which reached completion point this year, with deals worth $253 mn and $1.7 bn respectively. All would be entitled to deeper relief under HIPC-2.
- Creditors have approved debt reduction for a further three countries, provided they maintain appropriate macroeconomic policies: Mali is scheduled to get relief this year, Burkina Faso in April 2000, and Côte d'Ivoire in March 2001.
- Creditors examined, then excluded Benin and Senegal. They said the use of pre-HIPC debt relief mechanisms would have reduced Benin's debt-to-export ratio at completion point to 187 per cent. Despite severe fiscal strains — a debt-to-revenue ratio of 166 per cent — Benin was excluded on fiscal grounds because current rules limit HIPC relief to countries with "open economies and larger revenue bases." Senegal was also ruled out because its debt-to-revenue ratio was projected at 242 per cent. Both countries would be admitted under HIPC-2.
- Preliminary debt sustainability analyses concluded that Ethiopia, Mauritania and Guinea-Bissau would be expected to qualify. However, both Ethiopia and Guinea-Bissau need to be reviewed again because their programmes have been derailed by conflict and other developments.
- Fifteen countries were due to have debt sustainability analyses (and, in some cases, possible decision points) in 1999, World Bank and IMF documents suggest: Chad, Ghana, Guinea, Honduras, Laos, Malawi, Mauritania, Nicaragua, Niger, Republic of Congo, Tanzania, Togo, Vietnam, Yemen and Zambia.
- Those scheduled for later analyses are: Rwanda (2000), Cameroon (2000), Central African Republic (2001) and Kenya (2000).

HIPC's changing criteria

	HIPC-1	HIPC-2
Debt* sustainability ratios		
debt/exports	200-250%	150%
debt/revenues	280%	250%
GDP-related ratios		
exports/GDP	40%	30%
revenues/GDP	20%	15%
Time until actual relief	**6 years**	**3 years +**

* *Measured in "net present value" terms: the discounted market value of debt if repaid in one lump sum.*

Source: UN Africa Recovery

Qualified welcome for HIPC-2

The G7 proposals have been broadly welcomed as an important step forward, but with reservations and outright criticism from some quarters. "Crumbs of comfort," said Jubilee 2000 UK, which argues that the IMF should no longer have a central role in approving debt relief. Oxfam, a UK-based NGO, fears the IMF could frustrate plans to speed up assistance: "In the past, the Fund has employed an overly narrow and rigid mode of judging performance." It warned that "narrow IMF conditions should not delay debt relief."

The new-look HIPC reflects a compromise between those creditors insisting on more conditions and others pressing for less. Such differences were evident in creditors' submissions to a review of HIPC last April: *HIPC: Perspectives on the Current Framework, and Options for Change*. Canada, Germany and the UK called for the track record period to be halved, while France said it should be reduced on a "case-by-case basis taking past track record in adjustment policies into account."

Divergences were also clear during World Bank/IMF Board discussions before Cologne. "Many directors favoured little or no general shortening of the track record period to reach completion point, stressing the need to provide sufficient time and incentives for countries to undertake required structural reforms," the minutes say.

More generally, the G7 proposals fall well short of debt lobbyists' recommendations: Jubilee 2000 and others called for a one-off cancellation of all HIPC debt. Oxfam had argued for a 15 per cent ceiling on revenues allocated to debt service, and for the debt-to-revenue target to be reduced from 280 to 150-170 per cent. With other coalition members, it had also called for far greater linkage between debt relief and investment in poverty reduction, with a "human development window" provid-

ing additional benefits to countries making credible commitments to spend debt service savings on poverty reduction.

Debt campaigners have challenged the G7's claim that HIPC-2 could reduce $100 bn of debt. They allege the G7 has "cooked" the books by including several countries which are unlikely to qualify because of conflict and protracted stand-offs with creditors. These include Liberia, Democratic Republic of Congo, Angola, Sierra Leone and Myanmar. Christian Aid, a UK-based NGO, calculates that the G7's proposals bring only $16 bn in additional debt cancellation.

The new deal on paper

Extrapolating from recent World Bank/IMF projections of various countries' debt ratios at completion, *Africa Recovery* estimates that on paper, the changes would enable between six and 10 more countries to qualify for HIPC treatment.

HIPC-2: Potential African beneficiaries and new qualifiers

Country	Debt/ export ratio	Debt/ revenue ratio
Benin*	187	166
Burkina Faso	250	203
Cameroon	219	278
Burundi	567	462
Central African Rep.	175	288
Dem. Rep. Congo	270	466
Chad	218	308
Congo Rep.	187	410
Ghana	138	175
Côte d'Ivoire	146	293
Madagascar	223	327
Ethiopia	251	184
Mali	221	324
Guinea-Bissau	783	666
Mauritania	266	363
Senegal*	126	242
Mozambique	548	638
Tanzania	233	243
Niger	248	274
Togo	136	291
Rwanda	534	200
São Tomé & Principe	651	971
Sierra Leone	262	427
Uganda	246	260
Zambia	446	634

* Both would requalify

Source: UN Africa Recovery

For example, the new sustainability ratios would re-admit Benin — deemed in 1998, with Senegal, to have "sustainable" debt ratios — on the grounds of a debt/export ratio projected at 187 per cent at completion point. The Central African Republic and Chad should qualify on similar grounds, with ratios of 175 per cent and 218 per cent respectively. Madagascar and Mali are also contenders, with projected ratios of 223 per cent and 221 per cent, along with Tanzania (233 per cent).

Pressure for change had been building since 1996, when HIPC was launched. Frustration over slow progress prompted African, Western and UN figures to criticize the scheme for providing "too little, too late."

New ratios for countries under fiscal stress — a debt-to-revenue ratio of 250 instead of 280 per cent — would also admit Togo. Although Togo had a debt-to-revenue ratio of 291 per cent, it was excluded under HIPC-1 because its export-to-GDP ratio is 34 per cent and its revenue-to-GDP ratio is 16 per cent. Cameroon, hitherto a borderline case because of its 220 per cent debt-to-export ratio, should now qualify unequivocally.

Questions remain over Ghana and Senegal, for which stress indicators appear on the borderline relative to the new sustainability targets. Ghana's projected debt-to-export ratio of 138 per cent could worsen if the price of cocoa and gold fall much further. Senegal's debt-to-revenue ratio of 242 per cent is already slipping over the 250 per cent mark, officials say.

The new sustainability ratios provide for deeper relief to these and another 16 countries, including some which have already qualified for full HIPC treatment such as Burkina Faso and Côte d'Ivoire. It would also provide additional relief retrospectively to Uganda and Mozambique.

The new deal in practice

But many of the new qualifiers, and other candidates for deeper debt relief, may not be making claims in the foreseeable future. Nine potentially eligible countries have not met the basic policy criterion of having some form of adjustment programme in place, and seem unlikely to do so because of civil or military conflict or poor relations with the IMF and World Bank.

According to the Bank/Fund *Perspectives* document, countries without adjustment programmes are: Angola, Burundi, Democratic Republic of Congo, Equatorial Guinea, Liberia, Myanmar, São Tomé and Principe, Somalia and Sudan.

Also, several countries with adjustment deals in place have an interrupted track record. In 1997, creditors anticipated that some 28 countries could reach decision point by 2000. Nine of these — Chad, Republic of Congo, Côte d'Ivoire, Ethiopia, Madagascar, Mauritania, Senegal, Togo and Vietnam — had their programmes delayed on grounds of policy slippage. Armed conflict has delayed progress in Sierra Leone and Guinea-Bissau, and contributed to the policy slippage in Ethiopia and Republic of Congo.

A better deal for those who make it

For all such problems, countries that make it through the policy hoops will get a materially better deal under HIPC-2 than under HIPC-1. One of the key problems with HIPC-1 is that it underestimates a country's vulnerability to external shocks, and thus its capacity to "exit" from debt distress. Creditors calculated that Uganda's debt would be sustainable at 201 per cent of exports and put together a debt reduction package in 1998. Barely a year, later, a dive in the price of coffee, Uganda's main export, returned its debt to unsustainable levels. The new ratios in HIPC-2 take more account of external vulnerability, and are generally more realistic and manageable.

'Front loading'

Deeper relief and front loading should also enhance debtors' cash flow much earlier. This is a considerable improvement on HIPC-1, which does not significantly change debt service payments in the early years, as the *Perspectives* document concedes: "For the first seven countries to reach decision point, scheduled debt service payments after receiving prior HIPC assistance are not dramatically different from the actual debt service paid for the period prior to the decision point. Indeed, debt service owed by Burkina Faso and Mali [is] expected to increase."

Among the reasons for the initial appearance of little or no gain under HIPC-1 is the "regularisation" of relations with creditors, a necessary pre-condition for any debt reduction

deal. This means taking into account all obligations due, rather than debt actually serviced in previous years. So any country that has not been meeting most of its debt service payment obligations could find itself paying out more after a HIPC deal, unless debt reduction is substantial.

Details on the likely impact of HIPC-2 on specific countries are scant. For Mozambique, which reached completion point on one of the better HIPC-1 packages in July this year, the deal reduces the debt-to-export ratio to 200 per cent this year from the 466 per cent projected for end-1998. The IMF estimates that HIPC-1 reduces Mozambique's average debt service during 1999-2005 to $73 mn, substantially better than the $104 mn paid last year and the $169 mn Mozambique would have paid without a HIPC deal.

The Fund says the Cologne plan would reduce Mozambique's debt service even more. But, as HIPC-1 is scheduled to reduce Mozambique's debt-to-export ratio to 132 per cent by 2005 anyway, it is not clear how HIPC-2 will enhance Mozambique's position.

The other critical issue posed by the new plan is funding. The IMF estimates the total cost to creditors of HIPC-2 at around $27.5 bn — more than double the $12.5 bn projected for HIPC-1, and excluding bilateral cancellation of ODA debt.

Since creditors lack sufficient funds and commitments to fully finance HIPC-1, prospects for funding HIPC-2 are unclear. The *Perspectives* document notes that HIPC-1 has already overshot the August 1998 cost projections by 29 per cent, because countries with declining export earnings require creditors to provide more relief.

'Academic' focus on costs

Critics argue that the focus to date on total costs is rather academic, given that relief is committed and disbursed on a "pay as you go" basis, well spread over time. And since only four countries have reached completion point, demands on creditors have been relatively modest. But faster implementation and front loading under HIPC-2 should require creditors to mobilize commitments and cash more rapidly.

There is no data on projected contributions for HIPC-2 yet, nor any comprehensive plan for raising cash beyond a commitment by some creditors to sell part of their gold reserves. The IMF says it is "ready to play its part" in financing its share of the costs of an enhanced initiative through gold sales. "Management is committed to conducting such sales," it said in June. Some expect the sale will involve around 5-10 mn ounces of gold. The UK recently sold 803,768 ounces to help finance HIPC.

Funding plans already under attack

However, such funding ideas have come under attack in recent months. The US Congress strongly opposes the IMF's plan to sell gold, and could well block any sale. The World Gold Council and African gold producers have stepped up their criticism of official gold sales in general. Sales and talk of more sales to fund HIPC have helped to drive the gold price down to around $250-$260 an ounce, with serious consequences for South Africa and Ghana, where some 2,000 mineworkers have already been laid off.

Moreover, new donor commitments to Kosovo and plans to stabilize the Balkan region after the recent war between NATO and Serbia, are expected to be funded from aid budgets. This raises questions about how much the European Union and bilateral creditors will contribute. ■

Some sensitive issues of deeper debt relief

World Bank Vice-President for Africa Callisto Madavo spoke with* Africa Recovery *in New York in early June 1999.

Major creditors have engaged in "some one-upmanship, a sort of competition" to announce proposals for improving the HIPC package, Mr. Callisto Madavo, a World Bank Vice-President for Africa, told *Africa Recovery* a couple of weeks before the Cologne summit of the Group of Seven in June. But "people have been rather silent about how it is going to be financed," he observed, asking whether creditors are prepared to "dig deep into their pockets... without playing a game in which the contribution to HIPC is taken at the expense of official development assistance flows."

Mr. Callisto Madavo

But HIPC countries also have responsibilities, and it would be a "tragedy and a hoax of the first order" if debt relief goes into "supporting airports at villages of presidents in Africa, or buying executive jets," Mr. Madavo added. Asked to defend this simple version of the "moral hazard" issue (where fresh lending and debt relief supposedly "reward" bad practices), he conceded that the "chances of such misuse of funds are minimal." Still, he insisted, the subject must be kept alive.

On the distribution of debt-relief costs — known as "burden sharing" — between and among multilateral and bilateral creditors, Mr. Madavo said this complex issue must be handled with sensitivity and in a spirit of solidarity "to make sure that everybody does in fact make a contribution." France, for example, is "much more exposed in Africa than, say, the US. So depending on the solution chosen, the impact on the bilaterals could fall very differently, and that needs to be harmonized." Among multilaterals, he said resources would have to be found for the African Development Bank which "does not have the capacity to carry" some of its debt relief obligations. The World Bank could itself face extra costs of some $2.5 bn, and would have to "ask for some contributions" from bilaterals so it could fulfil its own obligations.

Asked if he recognized the category of "odious debt" — debt incurred by a previous regime for repressive and/or corrupt practices — Mr. Madavo said: "One would be lying if one did not admit that there are dimensions of this debt problem where that is very much there. The question is: how do you define it? How do you handle it in a way that you don't in some sense begin to undermine the sovereignty and credibility of governments in developing countries? What you are saying is that there are going to be certain debts that were incurred and should be honoured and other debts that should not be honoured. What are the criteria you are going to use to make these distinctions? I'm not running away from that issue. I'm just pointing to the complexity because it has all kinds of other implications. Who is going to decide?"

But "odious" debt is very important for such countries as the Democratic Republic of Congo and Rwanda, *Africa Recovery* insisted. "Agreed," said Mr. Madavo, concluding the interview with an enigmatic smile.

— Nii K. Bentsi-Enchill

'Break the chains of debt!'

International Jubilee 2000 campaign demands deeper debt relief

By **Carole Collins**

Debt relief for the poorest countries will remain a burning issue, given the meagre results of this year's Group of Seven (G7) summit in Cologne. The proposals announced there on 18 June (see page 1) fall far short of the amount of debt cancellation needed, and will bring little change to the lives of ordinary Africans, argues Jubilee 2000, the international coalition of non-governmental organizations (NGOs). Some member groups of the coalition continue to denounce the current framework for debt relief — the Heavily Indebted Poor Countries (HIPC) initiative — as a "cruel hoax."

The growing momentum of the global Jubilee 2000 movement to cancel poor country debt — with national campaigns in over 50 debtor and creditor countries, Jubilee 2000 petitions circulating in over 100, and more than 17 mn signatures collected to date — helped spur the G7 leaders to move as much as they did. Over 35,000 Jubilee 2000 supporters, many sporting the German Jubilee 2000 campaign's vivid rainbow-hued scarves, lined the roads, bridges and Rhine riverbanks of Cologne, while another 15,000 marched in Stuttgart, to demand that the G7 go even further to "down the debt."

Because 33 of the original HIPC countries were African, Sub-Saharan Africa's debt burden has been a major focus of Jubilee 2000 advocacy for debt relief since the movement emerged in the mid-1990s, inspired by a biblical call to "proclaim Jubilee" and re-establish justice between creditors and debtors by "freeing the captives and cancelling all debt."

Movement's growing impact

Jubilee 2000's political impact has grown dramatically since May 1998, when 50,000 movement supporters formed a 10-kilometre ring around the G7 summit meeting site in Birmingham, UK, to press for more debt relief. Germany — supported by the US, Japan and Italy — at that time blocked British proposals, in retrospect fairly modest, for deeper debt relief.

Since then, however, G7 governments and the IMF and World Bank have begun to address more seriously the growing public critique of the HIPC Initiative — on grounds of poor policy, undemocratic process and meagre results — as well as to advocate more radical solutions to the debt overhang.

- In March 1999, representatives of 10 Jubilee 2000 national campaigns met in London with officials of the IMF, World Bank, Paris Club and G7 governments concerning Jubilee 2000's critique of current debt relief programmes.
- By April, each G7 government had made its own proposal for debt relief for poor countries. Right before its joint spring meetings with the World Bank, the IMF also issued a 65-page review of criticisms of the current HIPC initiative extensively quoting analyses by various Jubilee 2000 national campaigns, Oxfam, and other debt relief proponents.
- On 19 June, international Jubilee 2000 leaders meeting in Cologne urged G7 leaders to go beyond the Cologne initiative announced the day before. A Jubilee 2000 delegation — including representatives from the Philippines, Cameroon, Peru, Spain and the US (representing five continents), Irish rock star Bono and Honduran Catholic Archbishop Oscar Rodríguez — met G7 Chair and German Chancellor Gerhard Schröder to underscore their demands.
- During July-August, representatives of Jubilee 2000, Eurodad, Oxfam and other NGOs raised the issue of debt cancellation at several conferences. These included a 26 July forum at IMF headquarters, a 29-30 July seminar in Addis Ababa hosted by the UN Economic Commission for Africa and World Bank, and a 2-3 August seminar in London organized by the Commonwealth Secretariat.

Jubilee 2000 advocacy has focused on the G7 governments because, as major creditors, they also collectively control about half of IMF and World Bank assets. Thus they are best placed to pledge new funding, secure changes in Bank and Fund policies to achieve deeper debt relief for more countries and ensure civil society organizations a greater role in debt relief activities.

The Cologne initiative "merely polishes — rather than breaks — the chains of debt that shackle many countries to perpetual poverty."

— South African Council of Churches

While focusing on the need to cancel poor country debt, the international Jubilee 2000 movement has also raised other significant debt-related issues, including:

- ensuring that debt relief is not conditioned on adherence to externally imposed economic policies that increase poverty or environmental destruction;
- ensuring civil society a role in determining how savings from debt relief are redirected to reduce poverty;
- the moral right to repudiate "odious debts" accrued by unelected military regimes;
- developing a more neutral international mechanism placing debtors on a more equal footing with creditors; and
- recapturing stolen public wealth.

Common goal, varied tactics

Speaking to global policymakers with one voice has proved challenging, given the differing historical and regional realities of (and within) the global North and South. The global Jubilee 2000 movement has worked hard to develop a shared strategic vision for campaigns in both debtor and creditor countries. This effort is still a work in progress.

The more than 50 national Jubilee 2000 campaigns agree on the need for debt cancellation. Varied national and regional histories, however, have led to somewhat different interpretations. At an April 1998 meeting in Accra, 15 national African campaigns issued a declaration backing total and unconditional debt cancellation as a matter of justice, reparations and restitution. In the January 1999 Declaration of Tegucigalpa, 14 Latin American and Caribbean campaigns, citing the precedents of Peru's 1946 debt renegotiation and Germany's in 1953, urge limiting external debt service obligations to no more than 3 per cent of a nation's annual budget.

Campaigns in different creditor countries have backed these or other levels of debt cancellation. African and other debtor country campaigns have cautioned that Jubilee campaigns in creditor countries, while understandably adapting their strategies to suit political

Carole Collins has served as the national coordinator of Jubilee 2000/USA.

realities at home, must be careful to respect — and not inadvertently undercut — South Jubilee negotiating strategies and views.

The global movement has decried the disempowering impact on South campaigns of Northern campaigns' disproportionate share of the global movement's technical skills and resources, mirroring the historic inequality between North and South. During meetings preceding the Cologne summit, South Jubilee campaigns emphasized the importance of strengthening their national campaigns on the ground as well as of South-South exchanges. They emphasized the need for the South to take more of a lead in the global campaign.

UN - Milton Grant

Pumping water in Eritrea: NGOs want to ensure debt relief helps Africa's poor.

'Odious debt'

Southern Jubilee campaigns hope to achieve greater consensus among themselves at a "South-South" summit in November 1999 in South Africa. By June 1999, coalescing as Jubilee South, they already had adopted a common slogan (displayed on their T-shirts at Cologne): "Don't owe, won't pay!" This reflects their evolving consensus that most developing country debt is "odious debt," lent to dictators and repressive regimes (such as Mobutu Sese Seko, Ferdinand Marcos, the apartheid government or Latin American military juntas) to help preserve their power base or enrich themselves.

It was on this basis that South Africa, in 1995, unconditionally and unilaterally canceled debt owed it by Namibia for loans made during the apartheid era. In early 1999, South Africa also canceled debt owed it by Mozambique after an eloquent appeal to creditors by Mozambican President Joaquim Chissano. A campaign to cancel the apartheid-caused "odious debt" of South Africa and the former Frontline states was publicly launched at a Southern Africa regional meeting of Jubilee 2000 campaigns in Johannesburg in March 1999.

Calls for new national and global policy-making processes on debt that ensure greater participation by civil society representatives are increasingly central to the global Jubilee 2000 movement. The Uganda Debt Network helped develop Uganda's Poverty Action Fund, through which NGOs now work jointly with the Ugandan government to decide how savings from debt relief granted under current HIPC terms will be spent. Oxfam reports that this Fund has helped dramatically improve access to primary education in the past two years. Similar funds proposed by national Jubilee 2000 campaigns in Zambia and Tanzania have won governmental support.

In recent months, Northern campaigns have actively pressed the World Bank, IMF and G7 for earlier and more extensive consultation with civil society in the global South on how best to cancel unpayable debt.

Post-Cologne activities

During summer 1999, the global Jubilee 2000 movement intensified calls for deeper debt cancellation and greater efforts to adapt IMF and World Bank programmes and policies to reduce, not worsen, poverty levels. On 6 August Jubilee 2000/UK head Ann Pettifor and Jubilee 2000/USA Chair Jo Marie Griesgraber met with US Treasury Secretary Larry Summers to reinforce these messages. Representatives of various Jubilee 2000 campaigns plan to further underscore them at the annual meetings of the IMF and World Bank on 28-30 September.

Jubilee South campaigns have condemned the Cologne initiative as maintaining the HIPC programme largely as a "scheme of the creditors, by the creditors and for the creditors" inconsistent with the commitment of the Organization for Economic Cooperation and Development "to halve the levels of absolute poverty by the year 2015." The Cologne proposal, Jubilee South continues, "refuses to acknowledge the moral dimensions of the debt crisis and the historical responsibility of the rich countries for the current state of affairs."

Other Jubilee campaigns also were critical. Father Pete Henriot, a US Catholic priest actively working with the Zambian Jubilee 2000 campaign, has argued that conditions imposed from the outside undercut "the responsibility of decision makers within the country to seek and effectively represent the wishes of their citizens." The "probationary period" imposed on indebted countries by HIPC, he says, is "economically damaging and politically destructive."

The Canadian Ecumenical Jubilee Initiative and CAFOD, an international network of Catholic agencies, feel the Cologne initiative will not write off a sufficient amount of debt. According to the South African Council of Churches, in a June 1999 statement, the initiative "merely polishes — rather than breaks — the chains of debt that shackle many countries to perpetual poverty. Worse still, the plan seems likely to strengthen the North's economic stranglehold over the developing world."

Such criticisms also are being taken up by African governments and regional organizations. In July, South African Trade Minister Alec Erwin slammed G7 debt policy as "criminal," adding that if developed countries wanted to help build Southern Africa, they should do so "not by preaching to us about governance, but by taking debt off the books." At end-August, Botswana's President Festus Mogae called on creditor countries to totally cancel Africa's debts, at a conference in Nairobi of ministers and financial experts from 17 African countries specifically organized to discuss solutions to Africa's debt problems.

Southern African Development Community (SADC) Executive Secretary Kaire Mbuende has called on the G7 to cancel Southern Africa's debt of $50-$75 bn. He also criticized G7 plans to finance debt relief partly through IMF gold sales, saying this would generate "unemployment and economic difficulties" in gold-producing nations such as Namibia, South Africa, Tanzania and Zimbabwe, as well as in countries providing labour in their mines. Mr. Mbuende forcefully accused the G7 countries of wanting to maintain the debt, as "a convenient instrument of political control, so you can continue to impose your will on people by continually reminding them how much they owe you and when they have to pay." ■

Challenges of African development

Poverty reduction and faster growth top ECA and continent's agenda

Raising greater volumes of domestic and external finance for faster growth, poverty reduction and sustained development in Africa was the central concern of a major conference organized in Addis Ababa by the UN Economic Commission for Africa (ECA) in May this year. **Africa Recovery's** ***general conference coverage is on pages 18-21, followed by an article on the ECA*** **Economic Report on Africa, 1999** ***(pages 22-25). Pertinent issues of foreign investment (pages 26-27) and aid effectiveness are then discussed (pages 28-29), while the potentially devastating impact of HIV/AIDS on African development is examined on page 30. An earlier meeting in Dakar organized by the UN Development Programme debated how Africa can become more competitive in the context of globalization (page 31). Interviews with ministers and senior officials from creditor and African countries follow (pages 32-37).***

By ***Nii K. Bentsi-Enchill***
Addis Ababa

To improve prospects for Africa's children, current leaders must combat AIDS and reduce poverty.

UNICEF/ Jacques Schwab

Africa must make faster progress on mobilizing domestic and external resources in order to consolidate the positive growth of the past four years and to halt the spread of poverty. This was a conclusion of the joint conference of African ministers of finance, economic development and planning held in Addis Ababa on 6-8 May 1999. Organized by the UN Economic Commission for Africa (ECA) on the theme of the challenge of raising finance for development, the conference attracted high-level participants from African and creditor countries and institutions, and from the United Nations system.

Aid, debt, investment, trade — the components of resource flows — were discussed from different angles, all converging on the objective of reducing poverty by half in Africa by 2015. This target, agreed at the 1995 World Summit on Social Development in Copenhagen, will be hard to achieve even for South-East Asia, the World Bank has said. The task is even greater for Africa, which needs to attain an average 7 per cent annual economic growth for the next 15 years, or roughly double the average for the last eight years. Still, "a hungry man never says that the coconut shell is too hard," declared ECA Executive Secretary K.Y. Amoako, urging African countries to thoughtful action.

The continent's responsibility for its own progress was implicit throughout the conference, and was often made explicit by forceful speakers. Among them, Ethiopia's Prime Minister Meles Zenawi said Africa has "no choice" but to improve its mobilization of domestic resources as the decline of external resources is unlikely to end soon. The continent also has no choice but to bring under control an HIV/AIDS epidemic that is undermining all the economic gains, warned Dr. Peter Piot, Executive Director of the Joint UN Programme on HIV/AIDS (see page 30).

Only a few months from the millennium, there is an "intellectual and policy ferment" in African and donor countries, both sides sharing long-term goals but with "differences about how to get there," said Mr. K.Y. Amoako. But there is also a "critical need" for more transparency and predictability in donor-recipient relations, based on "clearly understood rules of the game," added Mr. Meles. Effective partnership requires confidence and trust, as well as predictability and transparency "on the part of all those involved," he continued, concluding that "we still have a long way" to go.

His words were amplified from the donor side by Dutch Development Cooperation Minister Eveline Herfkens during a panel discussion on policy reforms and aid effectiveness, moderated by Mr. Seyyid Abdulai of Nigeria, Director-General of the Organization of Petroleum Exporting Countries' (OPEC) Fund for International Development. Without mincing words, Ms. Herfkens said there must be an end to lip-service about partnerships and

about African countries "owning" their development process. She hoped things had changed since her recent six-year stint on the World Bank Board of Directors when the atmosphere was very much "tough negotiating and not a partnership approach. That type of negotiating leads to the other side trying to cheat," she observed. From experience, she affirmed that donors "simply cannot buy policies."

She insisted on transparency and accountability from both donors and recipients, along with "basic agreement on policy content" and on the budgetary and institutional aspects of policy implementation. Bluntly, she said the "bad habits" of donors include being "erratic" in terms of commitments, tying aid in a "costly and corruption-prone" fashion and "buying the best [African] civil servants," a practice that undercuts local institutional capacity. Donors have also been "incoherent" by providing loans to support export production and then "not allowing you to sell [your] products in our countries because of our protectionist trade policies."

Ms. Herfkens warned African ministers of the hard work ahead, with the Bank and International Monetary Fund, to achieve a transparent fiscal framework and review not just the development budget but all public expenditure. Proposing that aid flows be integrated in national budgets, she promised to improve her own behaviour as a donor official, and indicated that all donors should "return spending authority, control and accountability to the beneficiary country."

In order to facilitate poverty reduction, Mr. Paul Collier, currently Director of the World Bank's Development Research Group, called for the expansion of aid programmes. Blocking that expansion, he suggested, is the concept and discourse of "aid dependency" which he attributed to the "New Right," adding that it had replaced the "trade dependency" discourse of the "Old Left" of the 1970s. On leave from Oxford University where he is professor of economics and Director of its Centre for the Study of African Economies, Mr. Collier made a detailed critique of several fallacies in the current aid environment. Aid volumes, he affirmed, will grow again "as long as we can rebuild the case and the constituency for aid" (see page 28).

On aid effectiveness, Ms. Carol Lancaster looked at the "crit-

HIPC initiative is like blackmail, says Meles

"What I find most objectionable about this initiative and most of the other debt reduction initiatives, is that they are being used as the whip to enforce unquestioning acceptance of the economic orthodoxy, the so-called Washington consensus, that is being promoted by some international financial institutions. The abysmal failure of this orthodoxy in Africa over the past decade and half (...) clearly suggests that it can and must be questioned. Indeed, many thoughtful individuals in the citadels of the orthodoxy are questioning many of its prescriptions. The choice we are left with under HIPC is thus to either abandon all independent and rational thinking in economic policy making or wallow in the quagmire of unsustainable debt. It is a choice between the devil and the deep blue sea. To use the whip of the debt overhang to enforce this orthodoxy in debt-ridden countries, is in some ways tantamount to blackmail and is therefore both unviable and immoral."

Ethiopian Prime Minister Meles Zenawi

— Speech to conference's opening session

Africa must focus on poverty reduction, ministers declare

Most African countries lack the basic structures to reach and sustain the 7 per cent annual growth rate required to halve poverty by 2015. Therefore Africa's Ministers of Finance, Economic Development and Planning decided in Addis Ababa that, among other things, African countries must:

- focus their development efforts on poverty reduction;
- fight corruption and stem and reverse capital flight;
- move faster to develop human capital and build the institutions and infrastructure needed for sustainable growth;
- modernize and adapt their productive, regulatory and administrative structures to meet the challenges of globalization and liberalization;
- boost exports and improve the investment and trade environment in order to sustain the fragile economic recovery;
- integrate into core planning measures to counter the HIV/AIDS epidemic;
- review the content and duration of adjustment programmes while deepening economic reforms;
- increase domestic resource mobilization, especially by raising the informal sector's contribution to savings;
- identify and exploit opportunities to improve the productivity of public spending;
- support capital market development at domestic and sub-regional levels.

On debt, African ministers welcomed a "new international realism... that much of the debt is unpayable, and that current debt resolution mechanisms, particularly the HIPC initiative, are far too slow, far too selective in coverage, and far too [conditional]." Current developments are "in line" with the recommendations they made in 1997, the ministers noted with satisfaction. Their new proposals were forwarded to the Cologne summit of the Group of Seven major creditor countries and were largely endorsed. But some elements were not, namely the call for "exceptional debt relief for post-conflict countries, particularly those with protracted arrears." The ministers said other countries adversely affected by conflict situations and by serious natural disasters should also receive exceptional treatment that "should also include the cancellation of debts."

African ministers noted the idea of referring debt sustainability analysis to an independent body composed of eminent persons conversant with financial, social and development problems and jointly selected by creditors and debtors, with creditors committing themselves to considering cancellation of debt that is deemed unpayable.

World Bank

Exporting aluminium ingots and logs from Ghana: Donor countries need to reduce protectionist barriers in their own markets.

ical" role of donors as decision makers on the purposes of aid, and as the designers, implementers and evaluators of that aid. A former Deputy Director of the US Agency for International Development (USAID) and currently a professor at Georgetown University in Washington, DC, she spoke with both practical and research experience.

Between 1957 and 1995, Ms. Lancaster reported, the US provided $22 bn of aid to sub-Saharan Africa, of which $5 bn went to Zaire under Mobutu, Somalia under Siad Barre, Sudan under Numeiry and Liberia, mostly under Doe. "That aid was lost," and the US was not alone, she stated. There had been problems with "Swedish aid in Tanzania, Belgian aid in Zaire, Italian aid in Somalia," and "many others."

Besides faulty decisions on aid allocation, Ms. Lancaster noted the "extremely uneven" quality of implementation and evaluation. Her research conclusions included the following: aid to Africa has been the least effective and sustainable of any world region, and the least effective type of aid has been that aimed at institutional change.

She described aid agencies as "political entities" under several forms of pressure. These include pressure to allocate aid "for diplomatic purposes" and also to spend. Not spending available funds has been seen as "career limiting" at both USAID and the World Bank, she said. This has led to haste and a common "unwillingness to say no" to inappropriate aid among donors and recipients.

Donors, Ms. Lancaster said, continue giving aid for political objectives such as a seat on the UN Security Council — "that tends to be one of the high political goals of Japanese aid today" — or to strengthen a country's position as an international power. Aid programmes can show, or withdraw, political support to a government, and also secure access to African leaders for donor ambassadors to discuss issues important to their own governments that have little or no relevance to development.

After touching on the pressures exerted by political, business, trade and non-governmental organization interests, Ms. Lancaster said that multilateral aid agencies are also "political entities operating in a political environment." She stressed the limited capacities of donors and their agencies, called for more serious self-evaluation, affirmed that the decline in aid flows since 1992 will likely continue, and noted that the public is the least informed and most passive element in donor countries.

Among the vigorous comments from the floor was the observation by Lesotho that the "sound policies" that come as conditionality from multilateral agencies are now becoming criteria for qualifying for aid. Pleading for flexibility, Lesotho noted the problems of countries using "75 per cent" of their annual budget to pay off foreign debt while being required to carry out "very expensive" reforms. Such countries deserve fast debt relief instead of a long track record.

Backing Ms. Lancaster's speech, Sudan expressed the hope that

Look hard at the long-term issues, says Amoako

"We must go well beyond what have become standard reform practices," ECA Executive Secretary K.Y. Amoako told African ministers of finance, planning and economic development during their joint conference in Addis Ababa. Asked later by *Africa Recovery* to explain, he said that "'getting prices right' and short-term macroeconomic stability are not the answers to everything." Similarly, private sector development and international competitiveness are all very important for Africa and several countries are moving in the right direction. But one of the most critical issues today is that of sustainability, and the important long-term issues must "come to the centre of economic policy formulation."

He indicated such key areas as agriculture, environment, gender and population, and the need to build institutions and infrastructure, raise productivity, and pay more attention to research. "We need to integrate these core elements into our development planning," he stressed.

Agreeing that the important developmental role of "the capable state" has been increasingly recognized in recent years, Mr. Amoako said that "if anything, governments in Africa are too weak to do some of the fundamental things they need to do. So strengthening the role of governments in Africa is critical and the debate is now on how to achieve this strengthening."

instead of political conditionality, there would now be renewed emphasis on policy conditionality only. Then, in contrasting irony, the Malawi representative noted that when his country was under virtual dictatorship for several years in the past, its policies had been praised as "sound" by various donors.

Aid should "comply with" the policy objectives of recipient countries, Egypt affirmed. Such objectives include maximizing the value added to local resources, promoting national exports, supporting joint ventures, developing infrastructure, transferring technology and enhancing productivity. These policies will promote economic growth and enable aid recipients "to confront the challenges of aid reduction and increase aid effectiveness."

By thanking the UN Development Programme (UNDP) for moving from a "donor-driven" approach towards "granting" greater national ownership, Nigeria triggered several related interventions. UNDP explained that its country programmes are thoroughly negotiated with the government and actually "belong" to that government. Supporting Ms. Lancaster's proposal to replace the notion of African ownership with that of responsibility, some speakers restated Africa's primary role in improving the conditions for its own development. As Nigeria put it, "Africa must take its destiny into its own hands."

Debt 'crowds out' investment

But in so doing, Africa must also deal with its crushing burden of debt. Arrears on payments of interest and principal on foreign loans account for two-thirds of the growth in African debt since 1988, and reached $64 bn in 1996, or 27.5 per cent of Africa's total debt, reported Mr. Rubens Ricupero, Secretary-General of the UN Conference on Trade and Development (UNCTAD). This is the "best indicator of the extent of debt overhang," he said. It is "no secret" that heavily indebted poor countries (HIPCs) spend an average 40 per cent of revenues on debt service. Tanzania spends "nine times as much on debt payments as on health care despite the AIDS pandemic and four times more than on education." In such ways is debt servicing "crowding out" national investment in human and capital infrastructure.

Calling for bold and determined pursuit of an imaginative new deal on debt, Mr. Ricupero emphasized that an independent body of recognized experts from creditor and developing countries should conduct the evaluation of debt sustainability. This would eliminate the conflict of interest where creditors alone decide the criteria to apply, and "we know that these criteria are all open to scrutiny and debate."

'Realism' or resignation?

Realism, Mr. Ricupero argued, is too often "synonymous with resigning ourselves to the unwillingness of the powerful to do what it takes to solve the problem." Realism is not static, he continued, pointing to the change of government in Germany that rapidly and radically altered that country's position on debt relief. Creditor positions on debt relief have been in "continuous evolution" as each of them proved inadequate, he declared. For example, concessional debt relief granted by the Paris Club has moved from the "Toronto terms" (33 per cent) in 1989, to the "London terms" (50 per cent), the "Naples terms" (67 per cent), and recently to the "Lyon terms" (80 per cent). Levels of debt relief are not God-ordained, but are a question of political will, Mr. Ricupero concluded.

Creditor positions on debt relief have been in "continuous evolution" as each of them prove inadequate.

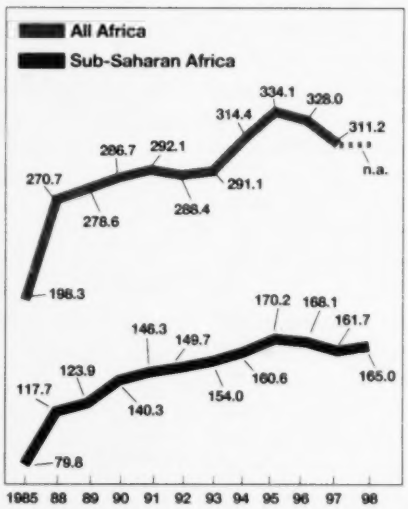
While welcoming an "independent perspective" in the HIPC review along with public accountability "for what we are doing," Mr. Jeffrey Katz of the World Bank felt it would not be "wise" to have another layer or institutions involved in the decision-making process on debt sustainability.

Mr. Hernandez-Cata of the IMF predicted that the greatest challenge for an expanded HIPC package would be finding the financing. Meanwhile, he said, African countries have a long way to go in order to raise investment ratios from their 1990s average of 17 per cent of GDP to the much higher levels needed for faster growth. In listing the factors that hamper domestic and foreign investment, Mr. Hernandez-Cata put the emphasis on reducing various kinds of risk.

Burkina was glad to have qualified for a HIPC deal, but noted that there were some conditions to meet that often had significant social costs. Several of the countries ranking lowest on UNDP's human development index are also those with the heaviest debt burdens, the delegate remarked.

In their declaration, the ministers concluded that the need for "more pervasive and effective reforms of debt relief" to be implemented by major creditors "does not diminish the need for African states to better manage their debts and to receive appropriate technical assistance in this task." ■

Crushing burden of foreign debt
($ bn)



n.a. = not available

Source: UN Africa Recovery from UN, World Economic and Social Survey 1999

Pointing Africa to its future

Recent progress must be sustained, or 'the boom will turn to bust,' says ECA

USAID

Road building in Mozambique: most African countries lack infrastructure and highly skilled personnel needed for sustained growth.

By **Nii K. Bentsi-Enchill**
Addis Ababa

First the good news: for the fourth consecutive year, Africa's gross domestic product (GDP) grew faster than its population, meaning a continued rise in the average income of all Africans, according to the *Economic Report on Africa, 1999*, released in May by the UN Economic Commission for Africa (ECA). This is in marked contrast with the previous 15 years of falling per capita income, and Africa's 3.3 per cent growth in GDP in 1998 (from 2.9 per cent in 1997), was the highest among world regions.

But the continent must grow at 7 per cent a year in order to halve poverty by 2015, the target agreed at the 1995 World Summit on Social Development in Copenhagen. And only three countries (Botswana, Republic of Congo and Equatorial Guinea) grew at 7 per cent or more in 1998. Hence, the bad news: two of every five Africans live in absolute poverty, and their numbers are rising. Also, four-fifths of "low human development countries" — those with high population growth rates and low income, literacy and life expectancy — are in Africa.

Although the past four years of solid GDP growth have improved medium-term prospects, Africa remains vulnerable to two variables that are critical to its growth and also beyond its control: the weather and the external economic environment. Good weather cannot be counted on every year, although it has occurred for the last four, and the global economy seems unlikely to improve in the medium term. So, the report says, Africa faces the "formidable" challenge of more than doubling its growth rate and sustaining it at the level necessary to reverse the rising tide of poverty.

However, most African countries — containing 60 per cent of the continent's population and producing 76 per cent of its GDP last year — lack the basic structures for sustained growth and poverty reduction, ECA observes. Indeed, only Botswana, Mauritius and South Africa "satisfy the minimal requirements" to maintain growth and to develop. Notable features common to these countries are the high levels of human capital development and economic diversification, and relatively low transaction costs, the report notes.

ECA uses a number of different indicators — including three it created (the Annual Performance Trend Index, the Economic Sustainability Index, and the Economic Policy Stance Index) — to identify some preconditions for growth. Among its conclusions is that only 11 countries (with 23 per cent of Africa's population) meet the three conducive conditions — minimal degrees of social and macroeconomic stability, and of allocative efficiency. The data for this finding by the noted economist Paul Collier were from 1996; today, the estimate is down to barely 15 per cent of Africans living in an environment considered minimally adequate for sustainable growth and development. Unsurprisingly, the lowest scoring countries on all the indices are those hit by civil conflict.

Imbalances within Africa

	% of Africa's GDP (1998)	Number of countries	% of Africa's population	Per capita income ($)
North Africa	**40.3**	**7****	**21.9**	**1,264**
Sub-Saharan Africa	**59.7**	**46**	**78.1**	**526**
Oil exporters	**48.8**	**11**	**35.8**	**937**
Group of five*	**59.1**	**5**	**37.3**	**1,091**
LDCs	**14.7**	**33**	**45.4**	**223**
All Africa		**53**		**688**

**Africa's five biggest economies in descending order: South Africa, Nigeria, Algeria, Egypt, Morocco*

*** Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, Tunisia*

Source: UN Africa Recovery from ECA

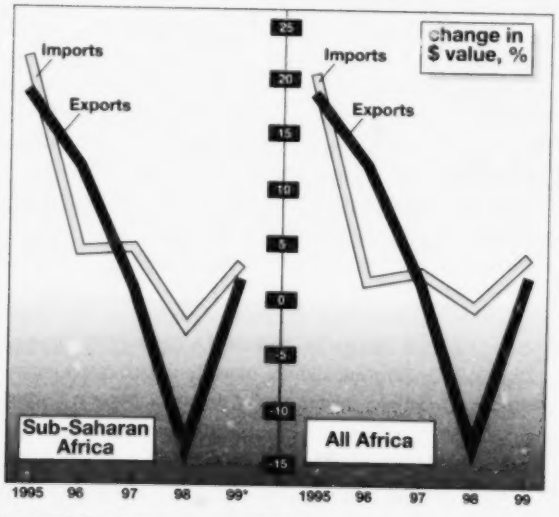
Understanding the depth and extent of poverty is a first and necessary — but not sufficient — step towards poverty reduction. Consequently, the report presents key policy challenges that each country must tackle in its own national context. And as there is no single formula that guarantees growth and poverty reduction in all African countries, ECA says the report aims to challenge policy makers to respond to their unique circumstances while learning from the experience of others.

Inadequacy of orthodoxy

A central theme of the report is that orthodox macroeconomic policies have recently spurred growth "across an impressive array of African countries," but are "by themselves inadequate to sustain it." Indeed, says ECA, the "key mistake" of the past 20 years "has been the focus on macroeconomic stabilization" while capacity and structural and institutional elements have been neglected. Pursuing the structural adjustment goal of stabilization has meant sacrificing the investment "needed to build the requisite institutions and infrastructure, and to invest in human capital development and retention." Also, policies aiming for both macroeconomic stability and sustainability "have either not been drawn up and adopted, or are not being implemented." These are the urgent tasks at hand, ECA declares, adding that its "ultimate objective is to help focus policy advice on longer-term structural issues while responding to the shorter-term issues and measures that have tended to dominate economic policy discourse."

For the next two decades, ECA says, the critical issues include human and institutional development, diversifying structures, lowering transaction costs, raising competitiveness, taking care of natural resources, and mobilizing resources for development financing. All of these are crucial elements in increasing the capacity of Africa's economies to accelerate and sustain growth to the 7 per cent level required each year to reduce poverty.

Africa's volatile trade

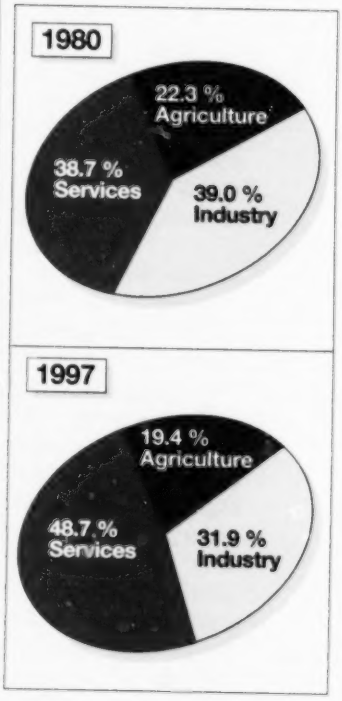


Source: UN Africa Recovery from IMF, World Economic Outlook, May 1999.

Uneven performance

While Africa's overall performance in 1998 was positive, it was also unevenly distributed in several ways. Total output grew in the North and Central African subregions, but shrank everywhere else. Growth in the group of oil-exporting countries continued (from 3.6 per cent in 1997 to 3.7 per cent in 1998), but fell in Gabon and Angola. Africa's oil-importers benefited from low oil prices and good weather, progressing from 2.3 per cent in 1997 to 2.9 per cent growth last year. The continent's 33 least developed countries (LDCs) did even better, their output growth rates rising from 2.4 per cent in 1997 to 4.1 per cent. And only two countries (Comoros and Democratic Republic of Congo) had negative GDP growth in 1998 compared with four (Comoros, Democratic Republic of Congo, Republic of Congo, and Morocco) in 1997.

Sectoral shares in Africa's GDP (%)



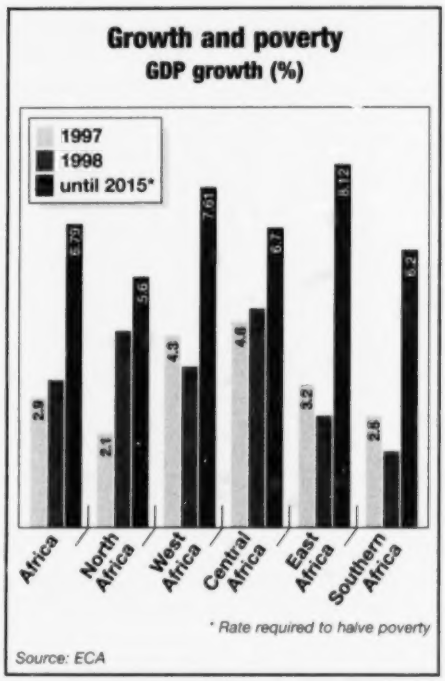
Source: UN Africa Recovery from ECA

With the recession in emerging markets hitting Africa mainly through depressed commodity prices, all of Africa's exports were affected. Oil, the source of 60 per cent of Africa's foreign revenue, was the worst hit, its prices falling 42 per cent. The continent's total export revenue fell 17 per cent, terms of trade deteriorated by 13 per cent and, for the first time in the 1990s, Africa's trade balance turned negative, the current account deficit reaching $16 bn.

Turning to financial resources, the report notes that total inflows fell from $4.5 bn in 1997 to $3 bn due to lower private flows and bilateral credit. And there are startling figures: net transfers for sub-Saharan countries fell nearly 40 per cent, and Africa's total debt service rose to nearly $36 bn, or 31 per cent of goods and services exports. On a positive note, investment as a percentage of GDP increased from 21 per cent in 1997 to 23 per cent, considerably better than the 1990-97 average of 19 per cent. This was due to higher income levels and lower consumption spending, particularly by governments, which prompted an upturn in domestic savings from 17 to 18 per cent of GDP.

However, says ECA, overall investment remains inadequate

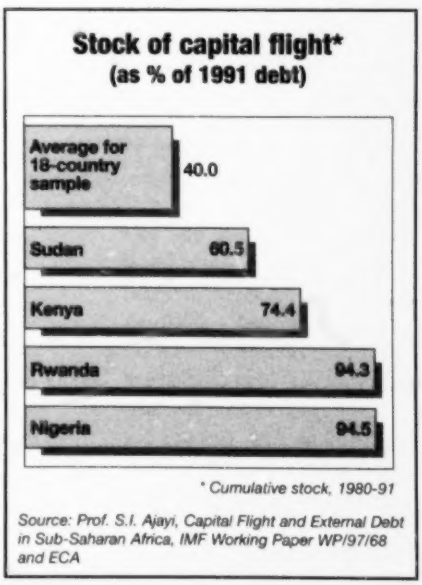
and foreign currency too scarce to import needed capital goods. Countering an important part of prevailing orthodoxy, the report argues that among the causes of low investment levels are tight monetary policy, high interest rates and cuts in government spending, particularly in public sector investment. Notably, the report says such investment attracts the private sector, rather than "crowding [it] out."



The sectoral picture

Agriculture and industry should be fuelling Africa's growth at this stage of the continent's development, because they are sectors that produce goods that can be traded, says ECA. Instead, these key sectors have contracted, while, the services sector has grown from 39 to 49 per cent of GDP in the same period, creating a "huge and increasing imbalance." While the public sector has been withdrawing from economic activity, and as market-led resource allocation has been favouring the services sector — again, one that produces no tradable goods but consumes an "inordinate share" of hard currency earnings — Africa's exports have become more concentrated on fewer raw materials, worsening the continent's marginalisation in world trade, ECA points out.

Largely due to good weather, the growth rate of agriculture progressed from 1.7 per cent in 1997 to 3.8 per cent in 1998. But if policy reforms improved the availability and distribution of inputs including credit, they also ended subsidies and cut extension services, hurting small farmers. Cuts in donor support for rural development projects and lower investment in rural social services in turn combined to aggravate rural poverty and hamper progress towards food self-sufficiency.



In the industrial sector, growth rates fell from 3.8 per cent in 1997 to 3.2 per cent in 1998. The causes include low productivity, and low investment in the manufacturing sub-sector, where growth fell from 2.5 per cent in 1997 to 2 per cent in 1998. ECA notes that manufacturers producing for the domestic market remain constrained by liberalization measures and the high-cost environment, often leaving them "unable to compete in the home market."

Poverty and investment

Among world regions, Africa has the second most unequal income distribution after Latin America. And of course, even poverty is unequally distributed. Overall, 44 per cent of Africans live below the region-wide poverty line of $39 per capita per month. In North Africa, only 22 per cent are under the poverty line of $54 per capita per month, while 51 per cent of sub-Saharan Africans live below the poverty line of $34 per capita per month. Africa-wide, the average income of the rural poor is $14 per person per month, compared with $27 for the urban poor.

To halve poverty by 2015, Africa's economic growth must reach an annual 7 per cent. But while North Africa and Southern Africa need to grow by 5-6 per cent and Central Africa by 6-7 per cent, West and East Africa need 7-8 per cent growth. In order to propel such growth rates, Africa as a whole needs investment equivalent to 33 per cent of GDP. This level of investment would be financed by domestic savings and by foreign inflows. Current domestic savings rates average about 15 per cent of GDP, and with total official development assistance (ODA) running at some 9 per cent, the residual financing gap is 9 per cent.

But again, financing needs vary greatly among the sub-regions. North Africa needs only about 5 per cent of GDP in external resources to reach the growth target. ODA to the sub-region has averaged about 3 per cent of GDP, leaving a financing gap of about 2 per cent of GDP. In contrast, the Central African sub-region has a residual financing gap of about 27 per cent.

As recent foreign resource inflows have been far short of the volume required, African countries also face the "stark reality" that even as they strive to raise domestic savings rates, they cannot expect significant change in view of the existing low levels of income. Real income remains the most important determinant of savings in Africa, and incomes must rise well above subsistence level before savings can rise. The report gives the sobering example that it would take 18 years of 5.3 per cent GDP growth for sub-Saharan Africa to reach the threshold where further increases in overall income result in higher savings rates. And African govern-

ments have "weak institutional capacity to mobilize what has been saved" and "few policy instruments to increase savings in the medium run," ECA observes.

So what can Africa's policy makers do? The ECA report says more effort must go into attracting foreign investment and reducing capital flight. Macroeconomic stabilization, government prudence and fiscal discipline will contribute to increased savings, it adds.

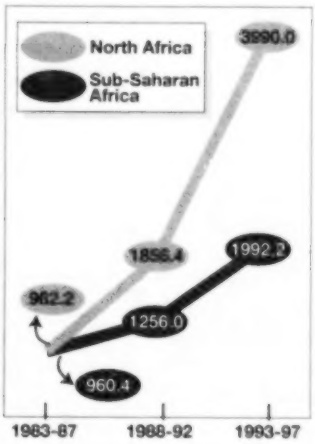
Agricultural output has increased, but cuts in funding to rural development and social services have worsened rural poverty.

World Bank Photo

However, the continent seems caught in a vicious circle: it has to create an economic environment of sustained high growth that attracts foreign direct investment (FDI), but also needs FDI to help create that environment and achieve that rate of growth. Similarly, deterrents to FDI inflows — the underdeveloped workforce and physical infrastructure — can be reduced through huge investments to develop a more skilled and productive labor force and expand basic infrastructure. Unfortunately, the report affirms, persistently high real interest rates engendered by financial liberalization and volatile exchange rates or rates that do not reflect the true scarcity of foreign exchange tend to distort investment incentives and decisions. It adds that trade liberalization that "confers undue advantage on foreign competitors" has in turn constrained domestic investment.

Another disincentive to foreign investment is the massive flight of capital out of Africa, estimated at $22 bn between 1982 and 1991. By end-1991, the average ratio of capital flight-to-debt was estimated at over 40 per cent for a sample of 18 countries for which data were available. For four countries, the rate exceeded 60 per cent (see graph, page 24). Some past and current top African officials are thought to hold much of this capital — largely the result of rent-seeking and corrupt activities — in foreign accounts. And while Africa obviously needs these resources for investment, ECA wonders "what African governments can do to obtain the repatriation of those funds, and how the countries in which the accounts are held can be persuaded" to cooperate.

FDI inflows to Africa
annual average, $mn



Source: UN Africa Recovery from UNCTAD data

Medium-term outlook

Presenting a very mixed picture, the ECA report says the last four years of good performance provide grounds for optimism. But global economic prospects are uncertain, commodity prices are likely to continue their historical decline, and Africa's resource inflows, "especially from the private sector," will probably stay low. Nevertheless, with continued good weather and some recovery in the global economy, Africa is "poised to attain and sustain" the higher levels of growth required to reduce poverty in the next 15 years.

The report makes a series of observations for policy makers to consider. It notes that when a country's GDP growth is relatively high, it is praised as a "good performer" due to its "sound" policies. But let that country falter and drop out of the list of good performers, and "bad" policies are blamed. Even the publicized "high" performers of today are also at high risk of faltering. And for most African countries "now on the verge of recovery, the capacity to sustain growth and development over time is low," ECA warns. It also affirms that "significant and sustained" economic progress will not be achieved until the continent's economic performance, "affected by wars, droughts, and other temporary conditions — ceases to be so volatile."

While there is an "emerging consensus" that the pursuit of orthodox macroeconomic stability must not be at the expense of long-term sustainability, "mere recognition of the problem is not equivalent to its solution," the report says dryly. It repeats that the critical task facing Africa's policy makers and development partners is that of devising and implementing policies for both stability and sustainable growth. In a strong conclusion, ECA stresses that the manner and urgency with which this issue is tackled "will determine whether African economies have reached the turning point, or that the...temporary booms will soon turn to bust." ■

Africa's untapped investment potential

Continent offers many opportunities for foreign investors, says UNCTAD

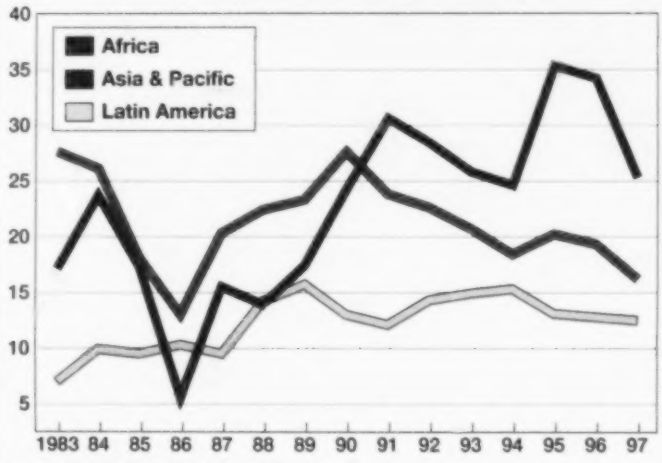
By **Ernest Harsch**

The potential for highly profitable foreign investment in Africa is enormous, but many investors remain unaware of the past record and current opportunities, argues the UN Conference on Trade and Development (UNCTAD). Although external investment in Africa has been increasing in recent years, it still lags far behind the flows to other developing regions, in part because of the generally negative image of the continent portrayed in the international media, explains the UNCTAD report *Foreign Direct Investment in Africa: Performance and Potential*, released in early July.

"Africa's profitability is one of the best kept secrets in today's world economy," UN Secretary-General Kofi Annan declared a week later, on 12 July in Algeria, at the annual summit meeting of the Organization of African Unity. Specifically citing the UNCTAD report, he noted that Africa also has experienced impressive economic growth rates in recent years, despite the effects of ongoing conflicts, the Asian crisis and depressed commodity prices. Nevertheless, he said, "most chief executives of multinational companies never look in detail at the prospect of any African country. They know Africa only from a few headlines or the odd minute of television news, which show a continent disfigured by conflict."

While a "gross distortion" for Africa as a whole, Mr. Annan said, that negative image has a basis in reality in the wars and economic difficulties that continue to afflict some countries. African leaders therefore "have an obligation to help change that reality," he affirmed, while at the same time highlighting the investment opportunities that currently exist.

Rates of return on US investments



Source: UN Africa Recovery from UNCTAD data

Profits and policies

The profitability of foreign companies in Africa has been consistently higher than in most other regions of the world, reports the UNCTAD study. Since 1990, the rate of return on foreign direct investment (FDI) in Africa has averaged 29 per cent, and since 1991 it has been higher than in all other regions, in many years by a factor of two.

Between 1983 and 1997, the rate of return for US companies in Africa has been above 10 per cent, except in 1986 (see graph). Net income from British direct investment in sub-Saharan Africa (excluding Nigeria) increased by 60 per cent between 1989 and 1995. And in 1995 Japanese affiliates in Africa were more profitable (after taxes) than in the early 1990s, and were more profitable than in Asia, where most Japanese investments are concentrated.

In recent years, UNCTAD notes, many African countries have significantly improved their policy environment, bringing both greater economic stability and growth and much more liberal conditions for foreign investors. Of 32 least developed countries in Africa covered in a 1997 survey, 26 had a liberal or relatively liberal regime for the repatriation of dividends and capital. In many African countries, the report emphasizes, policies toward foreign investment are now similar to those in most other developing countries. In addition, numerous investment promotion agencies have been set up across the continent to publicize Africa's economic opportunities and facilitate investment.

Partly in response to these changes, flows of FDI to Africa have been increasing significantly during this decade. Annual average FDI inflows rose from $1.9 bn in 1983-87 to $3.1 bn in 1988-92, then nearly doubled to $6 bn in 1993-97. However, these increases pale by comparison with the explosion of foreign investment to developing countries as a whole, which rose from an annual average of $20 bn in 1981-85 to $75 bn in 1991-95. As a result, Africa's share of total inflows to developing countries dropped from 11 per cent in 1976-80 to just 4 per cent in 1996-97.

Dynamic 'frontrunners'

However, such overall trends and continent-wide averages obscure the great variation among African countries, observes the UNCTAD report. Two countries, Egypt and Nigeria, have traditionally accounted for a high share of FDI inflows to Africa, in part because they have relatively large economies. Their share of total FDI inflows has been declining, however, from 67 per cent in

1983-87 to 38 per cent in 1993-97. Many other African countries received very small inflows, reflecting the small size of many economies, although the report notes that in such countries FDI "may have a much higher developmental impact" than elsewhere.

More recently, UNCTAD reports, a number of African countries have been attracting rapidly increasing FDI inflows. These "frontrunners" — Botswana, Equatorial Guinea, Ghana, Mozambique, Namibia, Tunisia and Uganda — took one-quarter of all FDI inflows in 1996, although they collectively accounted for just 9 per cent of Africa's population and 8 per cent of the continent's gross domestic product (GDP).

Most of these dynamic "frontrunners" share a number of features: they have stable and predictable policy and macroeconomic environments, active privatization programmes, higher GDP growth rates over the past decade, favourable trade policies, relatively well-developed infrastructure, intense investment promotion activities and efforts to improve the education levels and skills of their people. Their performance shows that "being located in Africa does not per se rule out success in attracting foreign firms."

While the primary sector (oil and minerals) was once the main target of foreign investment in Africa, the report observes, this is changing. Services and manufacturing now are taking growing shares of FDI inflows, even in oil-exporting countries like Nigeria. With more than 25 sub-Saharan governments in the process of privatizing all or part of their telecommunications sectors, these areas of activity hold great potential for attracting more foreign investment, UNCTAD affirms.

African TNCs

Meanwhile, not all African countries have only inward flows of FDI. Some African firms are growing into transnational corporations (TNCs) and investing in other countries, UNCTAD reports, citing two mining houses based in South Africa, a food-processing firm in Morocco and Zambia's large copper mining enterprise, among others. In 1997, the total FDI stocks of African TNCs held outside their own countries stood at $43 bn, 13 per cent of the external stocks of all developing countries that year. Although still relatively small and few in number, these African TNCs nevertheless "have become important regional and subregional players, demonstrating that there are firms in Africa that can compete internationally," the report observes.

To help realize Africa's untapped investment potential, the report concludes that it is essential to change "the negative and stereotypical picture of Africa, which still prevails among large parts of the business community and the wider public outside the continent."

African countries themselves can do much to attract more foreign investments, UNCTAD says. It urges African governments to make every effort to ensure political and economic stability, promote private-sector development and engage in greater dialogue with private enterprises. There is much room for further policy improvements, and the report suggests that countries consider initiating "investment policy reviews" in collaboration with UNCTAD (six African countries already are doing so).

'Africa's profitability is one of the best kept secrets in today's world economy.'

— Kofi Annan
UN Secretary-General

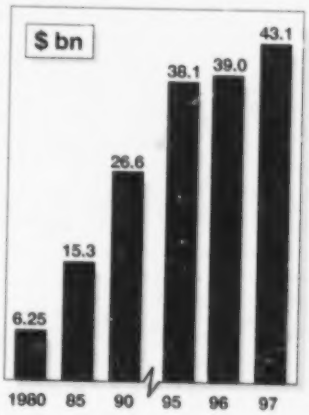
Those countries currently receiving little FDI should improve their promotional efforts, perhaps by highlighting the opportunities in particular industries or projects. Citing the example of successful investment promotion agencies in Europe and Asia, the report argues that "it is crucial to concentrate promotional efforts on a limited number of home countries and industries." Collaboration among groups of African countries also can help, both in mounting collective promotional initiatives and in establishing subregional markets that are more attractive to potential investors. The report cites efforts in this direction in Southern Africa, East Africa and North Africa.

The home countries of transnational corporations also can do more to encourage increased investment in Africa. UNCTAD notes a variety of initiatives already under way: various schemes by the European Union to support investment in Africa, the Africa-Asia Investment Information Centre headquartered in Malaysia, and an investment and trade agreement between the US and South Africa (similar US framework agreements are currently under negotiation with Ghana and the Economic Community of West African States).

Donor agencies should provide greater technical assistance to improve labour and management skills in Africa, as well as the physical infrastructure, says UNCTAD. Developed countries also should open up their own markets more to products manufactured in Africa, thus enabling external investors to take better advantage of Africa's plentiful and cheap labour force.

Donor countries also should take more energetic action to help reduce Africa's debt burden, the report argues, noting that high debt-servicing costs deprive African countries of badly needed savings for domestic investment to improve the physical and human infrastructure. "Debt reduction," says UNCTAD, "should thus be a cornerstone of the international community's efforts to improve Africa's growth prospects in general and its attractiveness for FDI in particular." ■

African investments in other African countries



Source: UN Africa Recovery from UNCTAD data

Making aid more effective

Good policies and ownership are key, say ECA studies

By **Ernest Harsch**

Aid can be an effective tool for Africa's development only if governments are pursuing good economic policies, concludes an issues paper produced by the UN Economic Commission for Africa (ECA) and presented for discussion to the conference of African finance ministers. But those policies will be sound only if donor institutions make it possible for Africans to formulate and decide the policies themselves, that is, to "own" them, stresses the paper, "Official Development Assistance to Africa: Challenges, Opportunities and Outlook." Noting that donors have taken "an ever increasing and intrusive role in decisions regarding public expenditure" through tying aid to policy conditionalities, the ECA argues forcefully that "spending authority, control and accountability" be returned to African countries.

The debate over aid effectiveness has been spurred to some extent by declining donor assistance. Figures released by the major donor countries' Development Assistance Committee indicate that Africa's overall receipts of official development assistance (ODA) fell from $23.5 bn in 1994 to $18.7 bn in 1997.

While critical of the way aid has been disbursed and utilized, the ECA issues paper — and several accompanying studies by outside experts — views this overall downturn as basically harmful. They make a strong case for aid's continued necessity, provided it is well targeted and managed. "Indeed," argues Mr. Paul Collier, of Oxford University, "current African experience suggests that far from having become less important, aid is now more valuable than ever."

Over recent decades, notes the ECA paper, aid has established a poor record in Africa. The causes vary, including, "the lack of recipient ownership," ineffective aid management, "the prevalence of donor-driven programmes," poor aid coordination, poor policies, and "a shortage of resources for recurrent operations and maintenance."

On the latter point, observes the ECA, "the reluctance of donors to support recurrent costs led to a dramatic decrease in civil-service salaries in real terms, thereby resulting in increased corruption and a paring down of the functions of the state as demanded by donors." This in turn contributed to weakening African state capacities to collect revenue, thereby making them even more dependent on external aid.

Often, says the ECA, donors have tended to confuse "bad aid" with "aid dependence," leading to a view among some circles in donor countries that Africa might be better off receiving less aid.

In some respects, argues Mr. Ibrahim A. Elbadawi, an analyst with the Nairobi-based African Economic Research Consortium, excessively large and poorly managed aid flows may indeed be economically harmful. He argues in his paper, "External Aid: Help or Hindrance to Export Orientation in Africa," that high aid dependence in low-income sub-Saharan countries contributes to over-

Is Africa too 'dependent' on aid?

While many in Africa and the donor community criticize prevailing development assistance policies, some, particularly from the "new right," believe that Africa's reliance on aid financing is itself a major cause of the continent's poverty and poor economic performance, notes Mr. Paul Collier, Professor at Oxford University and Director of its Centre for the Study of African Economics. In his discussion paper for the ECA, "Aid 'Dependency': A Critique," he takes strong issue with such a view.

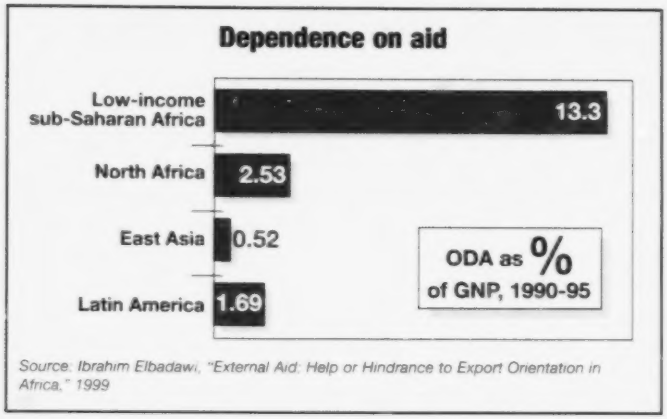
The proponents of the "aid dependency school," he says, often hold several interrelated beliefs: that Africa has grown more slowly than other continents in part because it has received much more aid relative to gross domestic product (GDP); that dependency on aid "traps" recipient countries into remaining perpetually reliant on aid; that private capital flows have made aid unnecessary; that aid flows are volatile and therefore bring more economic instability; and finally, that aid is in any case "doomed," destined to rapidly decline.

Like the other discussion paper authors, Mr. Collier argues that good policies are the key to growth. "Aid is highly effective in raising growth in good macroeconomic policy environments," he says, "and is ineffective or even harmful in poor policy environments."

Overall, Mr. Collier continues, comparisons of "aid dependency" with "welfare dependency" are invalid, in part because national economies do not respond to incentives and disincentives the same way households do. And, he adds, private capital flows to Africa are still far too small to replace other forms of external financing. In fact, he says, aid can help attract more foreign investment.

Mr. Collier carries out a statistical analysis of 36 African countries between 1970 and 1995 showing that tax revenues have been a far more unstable source of financing than aid. This finding, he says, implies a further benefit of aid, in that "it acts as a buffer to revenue shocks, tending to increase when revenue is low." Finally, he believes, overall aid flows will not necessarily continue to decline; the dip in the 1990s was mainly the result of two "one-off events," the end of the Cold War and fiscal retrenchments in Europe and the US, which will gradually be superceded by more rapid economic growth.

Mr. Collier concludes: "far from Africa needing to emerge from aid dependence, the continent is entering on a phase during which 'big aid' will make its most vital contribution. The next decade in Africa will be an opportunity for aid to be vindicated," and, he argues, aid should contribute to core budgets in good policy environments "for an extended period, rather than as an exceptional financing item."



Source: Ibrahim Elbadawi, "External Aid: Help or Hindrance to Export Orientation in Africa," 1999

valued currencies, thereby undercutting the international competitiveness of their exports.

However, Mr. Elbadawi adds, aid dependence cannot be ended overnight, nor can ODA simply be replaced by private inflows. For an interim period, "substantial aid flows" would help African countries "manage an orderly transition to less aid dependence" in a way that does not undermine their export competitiveness.

Conditionality falls short

One factor in the perceived ineffectiveness of aid to Africa is that donors often expect results that aid alone cannot deliver, note two analysts from the Development Research Group at the World Bank, Mr. David Dollar and Mr. William Easterly.

In their discussion paper, "The Search for the Key: Aid, Investment, and Policies in Africa," they examine the long-established "dogma" among donors that aid can help bridge poor countries' financing "gap," thereby increasing public investment levels and stimulating growth. In an analysis of 34 African countries over 1965-95, they find little link between aid and investment, however. In a separate comparison, they also find no clear evidence that higher investment levels actually bring higher economic growth.

The missing variable, they argue, is the presence of policies that promote both physical and human capital formation over the long-term, a key factor underlying East Asia's rapid economic growth. Realizing this, donor institutions have shifted toward a greater reliance on aid conditionality, to induce African governments to adopt good policies. So, Mr. Dollar and Mr. Easterly ask, "did aid-induced policy reform turn out to be the key to unlock Africa's growth potential?"

Their answer is mixed. In some cases, aid helped "reformers" in Africa get policy reforms launched, in part by softening the reforms' unpopular or socially painful effects. But often governments agreed to start reforms simply to obtain conditional resources, and then later abandoned them. Yet the donor institutions frequently continued to disburse funds anyway.

Mr. Dollar and Mr. Easterly conclude, "Foreign finance — even conditional finance — is not likely to generate a reform programme in a country in which there is no domestic constituency for reform.... [However], once a serious reform programme has started in a country, then financial assistance can be useful to help consolidate it."

The authors concede that good policies by themselves may not be sufficient to stimulate greater domestic and foreign investment in low-income countries, perhaps because infrastructure is poor or investors are uncertain the reforms will be maintained. In such circumstances, they continue, "foreign aid to a reforming government may improve the environment for private investment — both by creating confidence in the reform programme and by helping ease infrastructure bottlenecks."

An 'ideal aid system'

In light of the shortcomings of the current aid process, the ECA paper presents a series of recommendations. Anticipating that aid levels will continue to decline, the ECA urges African governments to reduce their dependence on development assistance, in part by enhancing their own revenue collection and reducing unnecessary expenditures. To guard against volatility in aid flows, the ECA recommends that governments develop "contingency funds, which are built up in good times to be disbursed in bad." Donor governments can help by granting "deep debt relief" and maintaining aid flows for an interim period, to help African governments "plan a reduction in net flows over time."

Stressing the need to return authority, control and accountability to African countries, the ECA also suggests the broad outlines of an "ideal aid system":

- Governments should elaborate overall development strategies, with rolling expenditure and revenue plans.
- Donors should scrutinize these plans for broad coherence, feasibility and policy consistency, but not for project details. Once agreement is reached, donors should contribute to a "pool of aid" to be used with the government's own resources to finance the entire package.

To move in such a direction, the ECA recommends national conferences on development strategies, greater coordination and formal divisions of labour among donors, more investment in recipient countries' accounting and auditing capacities, and reform of current donor consultation mechanisms (Consultative Groups and Roundtables), in part by moving them to the recipient countries and allowing national governments to co-chair them.

Only by demonstrating greater aid effectiveness on the ground can African countries hope to influence donors, although it may be unrealistic to expect any significant increase in development assistance, concludes the ECA. It adds that "the best African governments can do to attract ODA flows in the future is to invest in improving their policies." ■

AIDS: the development emergency

Governments must face facts and act immediately, says Peter Piot of UNAIDS

Along with armed conflict, AIDS has become the "greatest obstacle to development" in much of sub-Saharan Africa, says Dr. Peter Piot, Executive Director of the Joint UN Programme on HIV/AIDS (UNAIDS). Glad for the invitation to address African ministers of finance, planning and economic development at the ECA conference in May, Dr. Piot laid out the facts of this "development emergency." He also outlined what could be done about it: "[Africans] must set the agenda for [their] own development. And that agenda must prominently include AIDS."

He challenged African ministers to get personally involved by speaking out strongly and publicly on how HIV/AIDS threatens their country's future. Ministers should mobilize political support and human and financial resources at domestic and international levels, he added. National success in the fight against HIV/AIDS "depends on people like you," said Dr. Piot, insisting that "your voice on HIV/AIDS will send a powerful message to others."

Ministers must mobilize more resources for AIDS prevention, Dr. Piot continued. A recent study found that in 1997, African countries spent just $150 mn on AIDS prevention, of which only 10 per cent came from governments. In contrast, UNAIDS says at least $1 bn is needed to curb the epidemic. Governments, therefore, must increase average per capita spending on AIDS prevention and shift funds for education, health, infrastructure and rural development into AIDS prevention for the simple reason that the epidemic "is undermining the very goals of these other investments."

Africa's economic performance has improved in recent years, he acknowledged. But further gains will be undermined because, while AIDS is already an epidemic in some countries, the disease is "set to explode in others in the next few years." In order to halve poverty by 2015, Africa needs 7 per cent annual growth of gross domestic product (GDP). But instead, said Dr. Piot, citing a conservative World Bank estimate, countries with high HIV prevalence will lose 1 per cent of per capita GDP growth each year. And over the next decade, the cumulative loss for Kenya could be 15 per cent of per capita GDP, while human welfare indicators would worsen dramatically across Southern Africa due to AIDS.

HIV/AIDS will have a terrible impact on households and at all levels of the national economy and society, said Dr. Piot. Incomes, education, agricultural and industrial productivity would all become victims of the epidemic. And efforts to attract high-quality investment would be in vain.

But Africa as a whole could learn from Senegal and Uganda, where strong political support, broad institutional participation and effective programmes had curbed new HIV infections and improved care for the sick. Dr. Piot emphasized the importance of leadership — from the head of state to district level — and partnerships with non-governmental organizations, communities and the private sector. Cultural norms also had to change, to allow frank, public discussion of how to prevent HIV/AIDS transmission.

A key part of the effort would be the "International Partnership against HIV/AIDS in Africa." This, said Dr. Piot, was born of a 1998 resolution of the Organization of African Unity, the second Tokyo International Conference on African Development (TICAD-2), and recent bilateral discussions. It aims to ensure implementation in most African countries of large-scale AIDS programmes within the next five years that sharply reduce new infections, provide care for people with HIV/AIDS, and give tangible support to affected households and communities. The basis, Dr. Piot continued, is stronger collaboration between the seven members of UNAIDS — UNICEF, UNDP, World Bank, World Health Organization, UNESCO, UN Fund for Population (UNFPA) and UN Drug Control Programme — and African countries themselves. And the method is to mobilize high-level political support, organize and implement strong, national programmes against HIV/AIDS, raise much more funding for these action plans, and establish national and regional technical teams for programme design and implementation. "We are not powerless," Dr. Piot insisted. ■

HIV/AIDS at a glance:

- At least 9 million Africans have already died of AIDS. In 1998 alone, 1.5 million adults — equal to Botswana's total population — died of AIDS, along with 500,000 children — equal to Equatorial Guinea's total population.
- In 1998, 3.5 million adults — equal to Eritrea's population — contracted HIV and HIV-positive mothers infected another 500,000 children at birth.
- Over 22 million Africans — roughly Uganda's population — currently live with HIV/AIDS.
- Half of hospital in-patients in Zimbabwe today have AIDS-related illnesses.
- By 2005, AIDS treatment costs could take over 60 per cent of Zimbabwe's Ministry of Health budget; the figure for Kenya's health ministry budget is over 50 per cent by 2005.
- One teacher is dying from HIV/AIDS every day in Côte d'Ivoire, which is not the most heavily affected country.
- An average family's income will fall by half when a family member dies of AIDS.
- In one-third of rural households affected by HIV, agricultural output falls by half. One study in Zimbabwe showed maize output down by 61 per cent, vegetables by 49 per cent and cotton by 41 per cent.
- Military personnel are two-to-five times more likely to contract HIV than civilians.
- Company profits have fallen 7-20 per cent in some African countries as a direct result of HIV/AIDS.
- Employee benefits, as a percentage of salary, could rise from 7 to 19 per cent in South Africa because of AIDS.

Facing global competition

Dakar symposium tackles how African economies can prepare for globalization

By **Suzanne Kala-Lobé**

What is Africa's future in the globalised world? And in view of its current economic situation, how is the continent going to become more competitive? These were among the fundamental questions debated by more than 200 people during a symposium held on 3-5 March in Dakar.

The meeting was organized by the UN Development Programme (UNDP) and the government of Senegal, along with the African Development Bank (ADB), the Organization of African Unity (OAU) and the UN Economic Commission for Africa (ECA). Coordinating the whole effort was African Futures, the Abidjan-based programme of UNDP's Africa bureau that helps African countries draw up long-term studies for a better-planned social and economic future.

One of the meeting's main tasks was to re-interpret Africa's current development strategies from the perspective of responding to the challenges of globalization. Four main themes emerged: the macroeconomic framework for competitivity; governance problems; factors for competitivity at company level; and African responses to the external environment.

Debates were vigorous in the individual workshops. Presenting the "macroeconomic framework" theme in one workshop were Mr. Adebayo Adedeji, head of the African Centre for Development and Social Studies (ACDESS), and Mr. Jacques Giri, of Sociétés et Développement, an institute in France.

In the second workshop, Mr. Ibbo Mandaza, head of the Southern Africa Research Institute for Policy Studies in Zimbabwe, and Mr. Soumana Sacko, a former prime minister of Mali, addressed the regulatory and administrative framework in African countries and explored the obstacles to progress. They were immediately challenged by Mr. Ahmed Mohiddin, of the UK-based non-governmental organization Africa Foundation, who declared that "stating the principles of a legislative framework is not enough to create one." He went on to insist on participation by the citizenry — "those who actually make the real economy" — in economic decision-making.

Hot discussions continued on the theme of making African economies more competitive. Participants raised pertinent issues such as human resources, finance for research, science and new technology, establishing industrial standards, and diversification of economic activity. Another workshop took up tough questions about managing both human resources and financial means, with interventions by representatives of the UN Industrial Development Organization (UNIDO), the African Development Bank (ADB) and the UN Conference on Trade and Development (UNCTAD).

In yet another workshop — on the external environment and African responses — Mr. Befekadu Degefe (ECA) and Mr. David Luke (OAU) stressed the relevance of regional integration. Ms. Claire Mainguy, a professor from the University of Strasbourg, was sharply critical of the external trade constraints facing Africa, while the well-known Egyptian economist Mr. Samir Amin lambasted outdated policies in his paper, "Multipolar Globalization: Alternatives to Regionalism."

'The new linkages of global commerce require a commitment to and observation of new regulations.'

— Dakar Declaration

Vulnerable to external shocks

By limiting themselves to fighting for higher raw commodity prices, without defining an appropriate development strategy that integrates the continent's sub-regions, Africa's economies are condemned to remain dependent on market fluctuations, participants observed. They also affirmed that with external debt growing and swallowing an increasing portion of export receipts, foreign trade can neither provide the basis for economic take-off nor help organize domestic investment policy.

Volatile capital flows, the debt overhang and the absence of transparency were among the elements identified as undermining Africa's economies, and compounding the lack of long-term development planning.

But another obstacle to the progress and competitiveness of African economies, participants noted, is the concentration of power by governments. For a healthier macroeconomic environment, institutional reforms and decentralization could be the solution, some argued.

In discussing regulatory frameworks and procedures for designing economic programmes, some speakers said that company taxes and fiscal policy often do not provide incentives and sometimes facilitate archaic management practices. The results are businesses and products that cannot compete internationally.

Such issues of regulation and deregulation led participants to evaluate regional integration processes. They concluded that there remains little sense of strategic harmonization across African economies, which therefore are ill-prepared for the third millennium.

To the pervasive question of how African economies can become competitive, Mr. Youssoufia Wade, president of Senegal's National Employers' Council, declared: "The pursuit of competitivity at any price does not seem realistic." Nevertheless, others tried to tackle the question. Should there be better definitions of the criteria for good management and profitability? Where exactly are the elements of competitivity to be found — in redefining the rules of governance, in the harmonization of business legislation, or in the priority given to certain economic activities?

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During the 6-8 May ECA joint conference of African ministers of finance, economic planning and development, senior officials of African and donor countries and institutions gave* Africa Recovery *their views on aid, debt, donor-recipient relations and budget problems. Extracts follow on pages 32-37.

'The Emperor needs new clothes'

Dutch Development Cooperation Minister Eveline Herfkens

interview

***The Netherlands' Minister of Development Cooperation Eveline Herfkens spoke vigorously to the conference, and to* Africa Recovery.**

On donor-recipient relations: One of the things we donors have been doing wrong is [not allowing] developing countries to be in the driver's seat of their own development. We have been micromanaging aid, putting our own priorities there. I hope we can develop a partnership that will ultimately support the budget of the country concerned, so the government can follow its own priorities. This can only be done [with a] consensus about the quality of the policies, the quality of governance, and within a fiscal framework, so I can [convince] my parliament that the cheque I give to the health minister does not end up with the defence minister.

On conditionality: I have reduced the list of countries we have programmes with from 78 to 20. It is important to focus scarce concessional resources on the really poor countries that have good policies on the macroeconomic side and the social side, and good governance. [Also] I think it is healthy to introduce competition. I think it is good for African countries to be aware that concessional money is scarce, and that you have to compete.

You have conditionality *ex ante* by choosing a limited group of countries where you know you have basic agreement about what development is about, and what priorities should be set. This is not [my own] paternalistic list of conditions. Every government in the world put its signature under the 10 points of [the] Copenhagen [Social Summit]. Those developing countries that are serious about implementing the international consensus to reduce poverty are partners I can work with.

I am in favour of a certain degree of conditionality. The money borrowed in the whole debt crisis never benefited the poor, and the first to suffer were the poor. Debt relief must benefit the poor. [But] not every one of these HIPC countries has a government that gives me a comfortable feeling that the poor will benefit. So we need a type of conditionality that ensures that money from debt relief will be spent on health and education. My taxpayers are not prepared to transfer funds to elites who then put the money into Swiss bank accounts. I was very impressed by the ECA conference paper on capital flight, which stated clearly that Africa has the highest proportion of capital flight in the world. [So] how do you expect taxpayers in the Netherlands to have confidence in Africa if your own people don't have that confidence?

The best conditionality is that which is owned by the government concerned. In Mozambique, for example, the government has a genuine commitment to poverty reduction. That is the type of government I want to support. And thank God there are more in Africa. They deserve the money, and I want to focus on those governments that deserve the money. I am very concerned [that] the constituency [for aid] is eroding. The time is over when the argument of justice persuaded people to spend on aid. It is truly important that we show results.

On the HIPC initiative: I was on the World Bank Board when HIPC started. [The Netherlands was] in favour from the outset of faster, broader and deeper debt relief. The problem has always been who pays for multilateral debt. I have always been staunchly against financing through the multilateral system in a fashion that other developing countries in fact pay for debt relief. I find it very interesting that the G7 has finally come to the conclusion that HIPC is not good enough. It isn't. Presently, HIPC is underfunded. So I want them to put their money where their mouth is. I told the Development Committee in Washington [in late April] that it is really time the Emperor starts buying clothes. These speeches are great public relations exercises, but nobody is going to get any debt relief until the yen, dollars, deutschmarks, pounds and French francs are on the table. I commend the Jubilee 2000 coalition for effectively putting the debt issue on the public agenda and pushing the momentum towards the Cologne summit.

On technical assistance and foreign experts: I am against technical assistance the way it has been given for the last 30 years, [as] more of an employment policy [for 'donor experts'] than it actually helped developing countries. I [fear] that capacity building is just a new label for old-fashioned technical assistance. There are places where foreign experts have been hanging around for 15 years and where foreigners work in ministries without a counterpart. This is totally useless; it is a takeover by foreigners. So I am only going to give technical assistance [that is] genuinely demand-driven, where the country itself [can explain] why it needs it, for what purpose, under what terms of reference, for how long and under what conditions. ■

Aid, debt and political will

interview

OPEC countries have generally met or exceeded the UN target for development aid allocations, says OPEC Fund Director-General Seyyid Abdulai of Nigeria, adding that his Fund took part in the original design of the HIPC initiative.

Current levels of development aid are unsatisfactory and their distribution is "even worse," says Mr. Seyyid Abdulai of the OPEC Fund for International Development. With aid levels from major donors down to 0.2 per cent of their gross national product (GNP), compared with the agreed UN target of 0.7 per cent, he finds the trend "worrying" and unlikely to change soon. The situation is even "desperate," says Mr. Abdulai, arguing that " all reforms imply hardship," and if African countries are required to undertake reforms with inadequate aid, then "it becomes almost hardship for nothing."

On the HIPC initiative, Mr. Abdulai said the World Bank, IMF and his Fund agree that more relief is needed. But they also "believe it should come from the bilaterals because, after all, we have no ability to tax anybody. Whatever we do comes from our capital. If you give money for debt relief, that money is not available for new development projects. So there's always that trade-off." He hoped that major donors "will be forthcoming with more funding" and commended Germany, citing France and the UK also. On the question of political will, he said that a country allocating 0.2 per cent of GNP to ODA could easily go to 0.4 per cent without raising taxes. "It is the will to do it that is the problem."

Such countries are major forces in a Paris Club that has been reluctant to cancel any more than 80 per cent of eligible HIPC bilateral debt, and the Club is now asked to go to 90 or even 100 per cent cancellation. To this, Mr. Abdulai simply said: "If they can do that, it will be very helpful."

He felt that moral hazard remains a valid concern. "Even the very liberal people" in donor countries "will want to be sure that their money is really going for assistance" and not to defense spending.

Still, he said, the OPEC Fund — a lending institution owned by developing countries — does not impose conditionality. "Proper reforms, properly implemented, help put domestic resources to better use, so reforms should be recommended. But since we're developing countries also, we do not believe it's up to us to tell other countries that you must do this or that, otherwise we will not give you loans. We will not tell you we'll help you [with] a water project if you change your tariffs and charge people more; or that you must not subsidize agriculture. If we're building a road, we agree on the standard of the road and your [repayment schedule]. Our terms do not change with the project; they're country specific. So whether it's for a hospital or agriculture, if it's a poor country, we charge 1 per cent interest, 1 per cent service charge, with a five-year grace period, 17 years' maturity and I'm recommending that we raise maturities to 20 years." ■

OPEC Fund Director-General Seyyid Abdulai

Ceilings on debt relief are not 'God-given'

Japan's principle is to make loans and then expect them to be repaid, said Ambassador Shinsuke Horiuchi, Special Assistant to the Minister of Foreign Affairs. But "of course, there are a lot of unforeseeable circumstances" that hamper repayment.

interview

Ambassador Shinsuke Horiuchi of Japan

He said Japan has so far cancelled some $3 bn worth of debt, with reschedulings more than double that figure. At the 1998 Second Tokyo International Conference on African Development (TICAD-II), Japan "unilaterally" expanded its debt relief scheme. It would now urge fellow creditors to raise the Paris Club ceiling of 80 per cent relief on bilateral debt to 100 per cent. Japan plans to implement this unilaterally, an expensive move, Mr. Horiuchi said, but "if it has to be done, it has to be done."

Japan might have given the impression of being one of the toughest creditors because of domestic legislation that forbids debt cancellation. Another constraint is the care that must be taken with soft-loan resources, one-third of which comes from taxes while the rest is borrowed, largely from public pension funds. So Japan makes grants to a debtor country equivalent to a given amount of debt. It is this use of "different pockets, one for grant aid, the other for loans" that may have given the impression of Japanese recalcitrance on debt cancellation, the ambassador explained.

And neither does Japan ask further conditionality "of our friends," he said. "If a country is eligible for HIPC, we go along with that."

On the call for relaxing the eligibility criteria, Mr. Horiuchi said, "we really think that poverty is the mother of impediments to growth and we are going to take this poverty criterion very seriously." Mr. Horiuchi noted that alongside bilateral aid arrangements, Japan is putting some $73 mn into HIPC Trust Funds in the World Bank and IMF.

He is confident that the HIPC initiative can be improved, but with Japan holding about 40 per cent of ODA debt, he stressed that the cost of debt relief should be equitably shared among all creditors.

Very strong on the moral hazard argument, Japan is also "a bit worried about aid dependency. Many countries say 'if more money is available, we'll be okay.' But I don't believe that is true. What we developed countries can do is assist their self-help efforts... but we can't develop them."

'Don't forget post-conflict countries'

N. K. Bentsi-Enchill

Rwanda's Minister of Finance Donald Kaberuka

interview ***At its May 1998 summit, the Group of Seven (G7) major creditors recommended special assistance for post-conflict countries in the HIPC framework. It said nothing in public on this subject at its June 1999 summit.***

"What people forget is that it is very easy for post-conflict countries to fall back into conflict if there is no consolidation" of peace, Mr. Donald Kaberuka, Rwanda's Minister of Finance and Economic Planning, told *Africa Recovery*. After World War II, there could have been chronic instability in Germany and in the middle of Europe for a long time. Instead, the Marshall Plan created a zone of stability that is now "one of the most developed areas of Europe."

Rwanda received "generous" pledges from the international community of some $2 bn after the 1994 genocide. But "less than a third" of these pledges actually arrived in Rwanda, with most passing through non-governmental and UN organizations. So, direct support for government programmes was "very small."

"What amazes me is how quickly those funds dry up as soon as the television cameras are no longer there and another crisis has sprung up somewhere else," Mr. Kaberuka observed. Rwanda has just successfully completed the first year of a three-year enhanced structural adjustment facility (ESAF), after an IMF-supervised programme for the previous two years. "All the benchmarks were attained," and Rwanda is now "on the normal track." But this "is not the best way to manage post-conflict situations in Africa," he said, calling for "more imaginative measures."

The issue of post-conflict consolidation and making the transition from an emergency situation to sustainable development is of particular concern to Africa, he continued. Rwanda has "about a million young men with no skills at all, and the number increases by about 10 per cent a year." So, poverty reduction and human resource development are priorities, for which external support funds should arrive promptly. Yet, although consolidating the peace "calls for ... flexibility and patience," often, "some foreign partners come with specific calendars within which to attain some targets. But there are no quick fixes."

Mr. Kaberuka affirmed that debt relief should come earlier for the post-conflict countries than the usual six years, and that conditions for access should be flexible. Rwanda got some relief from the Paris Club in July 1998 but still has to pay $35 mn a year in debt service. It has asked its creditors to consider as part of its track record the IMF-monitored programme of 1996-98, instead of beginning the countdown from the start of the full ESAF. "If that is done, maybe Rwanda could get relief by 2002. But that is still too far," he said, adding that it should begin to benefit by the year 2000.

For now, there is a World Bank-managed Multilateral Debt Trust Fund for Rwanda, through which creditors can help Rwanda meet part of its debt payments. So far, the UK has contributed, while the Netherlands, Canada, the US, Sweden "and a couple of others" have made promises. But the long-term solution for post-conflict countries is "an earlier start to the countdown, and earlier debt relief."

Actual and promised funding currently takes care of about 30 per cent of Rwanda's debt-service obligations, "which is important." But the country needs more help, so it can allocate resources freed from debt service to human resource development and reconstruction, to "create momentum for the future and actually consolidate the peace."

Among other problems is that of debt management, with payment arrears accumulating during a period of conflict. Mr. Kaberuka feels a country's total debt should be considered, instead of "compartmentalizing it into bilateral, multilateral and so on. And debt relief should be seen as a package for budget support," given in exchange for commitments by the country concerned to direct the money released into priority reconstruction areas.

After a conflict, countries must "rebuild their relations with international financial institutions. And that can only be done if the arrears are cleared. Thus, prompt and flexible debt relief would help re-establish normal relationships." Some countries helped Rwanda pay its arrears to the World Bank, the African Development Bank and the International Fund for Agricultural Development, "which enabled us to quickly start normal relationships. But we have a long way to go" for debt relief. ■

Debt and Kabila's Congo

Foreign creditors have shown "some understanding" with regard to foreign debts inherited by President Laurent Désiré Kabila's government in the Democratic Republic of Congo (DRC). The country's debt stock is some $12-14 bn, says Mr. Jean-Marie Mbala, an adviser to the Minister of State for Planning and Trade. "We have [told creditors]: this is a new government that came in to find the state coffers empty. At least let us start tidying up to get ready and get going. But then the partners say: 'Be careful, tomorrow you will be excluded from this, ineligible for that.'"

N. K. Bentsi-Enchill

Mr. Jean-Marie Mbala

The DRC is paying "about $5 mn a month in debt service," Mr. Mbala told *Africa Recovery* during the ECA conference in May. He said: "Now, you should not really ask someone with an amputated leg to run the 100-metre dash. At least you help the person get another leg first, do some physical therapy, get stronger and then move with you."

Uganda's gains go to the grassroots

interview

Africa's first HIPC beneficiary, Uganda is devoting the proceeds to the social sector and to macroeconomic stability.

"We aim to increase access to clean water from the current 50 per cent to 90 per cent of Ugandans in about five years," as part of a drive to improve health, says Mr. Gabriel Opio, State Minister of Finance and Economic Planning. Also, the government is setting up a fund to finance, among other things, the "very expensive" push towards universal primary education. Such efforts "would have been much harder" without the Heavily Indebted Poor Countries (HIPC) initiative, he emphasizes. And the recent fall in coffee prices, which has counterbalanced the gains from HIPC relief, is further evidence of the benefits of HIPC, Mr. Opio argues.

The lesson for Uganda is to pursue diversification and reduce dependence on risky commodities. Also, "we have to exploit our comparative advantage, for example, in tourism," he adds, mentioning the efforts to consolidate security so that tourism can achieve its revenue-generating potential. Besides encouraging horticultural exports, and improving telecommunications and airport infrastructure, Uganda could also export power to Kenya, northern Tanzania, eastern Democratic Republic of Congo, and Rwanda, he adds.

On resource mobilization, Mr. Opio says that savings are a function of macroeconomic stability and predictability. Once confidence and stability are provided, "people will bring more money into the country. In the last budget, foreign remittances [from Ugandans abroad and other transfers] were $800 mn while export revenues were $600 mn. That shows the people's confidence in us."

Efforts to strengthen the financial sector continue, says Mr. Opio. "If that sector is weak, and there is uncertainty, you are going to have capital flight." He is confident that macroeconomic stability, good governance, stronger commercial banks, and greater security in the country will all help to raise savings rates.

And in order to make real progress in poverty reduction, priority areas include primary education and health, rural water supply and roads, and agricultural extension services. Compared to costs, the returns from primary education are much higher than from secondary and tertiary levels, so Uganda has launched its free and universal primary education campaign. More resources are going into health, rural water and roads because "an unhealthy population with no infrastructure cannot increase productivity." The government aims to provide every sub-county (containing 10-20,000 people) with a graduate agricultural extension officer and a graduate veterinarian. And budget allocations for these priority areas cannot be redeployed for any other purpose, Mr. Opio declared. ■

Ugandan State Minister of Finance Gabriel Opio

Zambia calls for total debt cancellation

interview

In the long queue for consideration as a heavily indebted poor country, Zambia wants immediate help.

"Zambia is calling for outright debt cancellation and immediate debt relief," declares Mr.Godfrey Simasiku, Deputy Minister of Finance and Economic Development. Obvious reasons include Zambia's high infant and child mortality rates, its imbalance of payments and low foreign reserves. World demand for copper, the economy's mainstay, has been falling since the South-East Asia crisis. Asian countries "are major customers of copper, so if their economies collapse, there's no way that Zambia and others dependent on that market can survive that serious shock." Official development assistance (ODA) debt should be cancelled and aid given only as grants, Mr. Simasiku adds.

Deputy Finance Minister Godfrey Simasiku

With foreign debt of some $7 bn, "we are really affected by the debt overhang," he says, pointing to continuing problems with public finance. For example, public sector reform is a "central part" of the current adjustment programme with the IMF and involves "trimming" over 15,000 people from the payroll. Donor promises of supporting financing have not materialized, "and there's nothing more painful than somebody laid off and not being given the package."

Facing an array of problems, including an "unacceptable" 80 per cent of its people in poverty, Zambia finds the HIPC initiative "rather too long." In 1998, education and health combined got "only 67 per cent of what was allocated to debt service." Indeed, "we can only reverse" the economic and social decline "by suspending debt payments altogether."

On moral hazard — when debt cancellation supposedly "rewards" economic mismanagement — Mr. Simasiku affirms that "any funds spared due to debt cancellation or relief will definitely go into the grossly underfunded social services." Zambians would benefit if the government and local communities had "more money to build more clinics and more district hospitals, to put medicines in those hospitals, to build and refurbish schools." ■

Cameroon: 'locked in a vicious circle'

Cameroon's Deputy Minister of Economy and Finance Jean-Marie Gankou

Photo K. Berita-Enchill

***Debt is currently the biggest obstacle to growth, Deputy Minister of the Economy and Finance Jean-Marie Gankou told* Africa Recovery.**

Cameroon has a positive trade balance, under 3 per cent inflation, and overall growth of around 5 per cent. But "all this is not enough. Our growth would be much more vigorous without the eternal problem of debt. Ordinary people would like to get concrete benefits from this growth. But for them, it is not yet tangible."

Debt service "takes the lion's share of our budget," he said. Of total budget receipts of some 60 bn CFA francs a month, civil service salaries are about 22-23 bn CFA francs and "[most of] the balance goes entirely into debt service. There are times when we have to dip into aid funds or take new loans in order to service our debt. That is precisely the vicious circle of debt, when you borrow to make debt payments. This mechanism has a multiplier effect such that we are locked in a vicious circle."

A recent rescheduling by the Paris Club reduced Cameroon's annual debt service from 418 bn to 318 bn CFA francs, giving the economy "some much-needed oxygen," but total debt was $9.5 bn at end-1996. A 1993 study by the UN Development Programme estimated that 40 per cent of Cameroonians were poor. A 1998 UNDP study found 51 per cent of Cameroonians in poverty. Only just emerging now from an economic crisis that started in the mid-1980s, Cameroon began structural adjustment in 1988, and had to cut public sector costs and reduce demand. "Demand management means shrinking purchasing power and other direct effects on the population's standard of living." Cameroon used to be classified as a middle-income country. "Everything is relative," Mr. Gankou observed. ■

Benin: the pitfalls of 'good performance'

***Mr. Ibrahim Pedro-Boni, head of Benin's Caisse autonome d'amortissement (CAA), which manages all external and domestic borrowings, talked to* Africa Recovery.**

By some criteria, Benin is in pretty good shape. But one-quarter of its annual budget goes into debt service payments, valuable resources that "we could reinvest in development." Mr. Ibrahim Pedro-Boni notes that "a middle-income country like Côte d'Ivoire has qualified as a [heavily indebted poor country], because of the budgetary burden of their debt, whereas we have not!"

Public debt is about 800 bn CFA francs ($1.2 bn). Besides the arrears on public sector salaries and payments to suppliers, domestic debt is relatively small. Foreign debt is another matter. The Paris Club has rescheduled Benin's bilateral debts four times already, most recently in 24 October 1996.

Due to those Paris Club deals, Benin had 174 bn CFA in bilateral debt by end-March 1999, and 625 bn CFA in multilateral debt and was not in arrears to any creditor. Meanwhile, the Caisse will pay about 40 bn CFA in debt service this year, and payments by Benin's Treasury to the IMF and the West African Central Bank (BCEAO) bring the total to some 50 bn CFA. This in turn amounts to 25 per cent of budgetary receipts. "That is the problem," Mr. Pedro-Boni said.

When Benin was evaluated as an HIPC candidate, "the calculations we did with the World Bank and IMF [showed that our] debt ratios are good, and we were judged as not qualifying for HIPC treatment. We even went over the calculations again last year with an IMF team, and our ratios were still good. But if we were to qualify, that would be some 50 bn CFA francs [for] development."

If new criteria were decided for HIPCs, "we would hope for reconsideration." For example, "if it is agreed that 25 per cent of the budget going to debt service is too much, then we can qualify." Meanwhile, some creditors "are already making gestures." Benin no longer pays debt service to Belgium, but puts the money into a local account, meets with Belgium every three months, and discusses what it wants to finance with the money. The Norwegians say they also want to go in that direction.

And the effects of debt service swallowing a quarter of the budget? "Very simple. We are in 1999. There was devaluation in 1994 and we are paying our civil servants at 1992 levels. With that 25 per cent in hand, we could improve their situation. For 13 years now, there has been little public sector recruitment — the ratio is one recruitment for three departures — because the Bretton Woods institutions have fixed the percentage of budget we can allocate to salaries. We also have insufficient funds for recurrent spending on public investments, for example on maintenance."

Benin is very good with external payments, but has internal problems "that the government has to struggle with. You have to understand why civil servants go on strike from time to time." Nearly 80 per cent of public investment comes from external sources and the government is trying to reduce this dependence. "If we had debt cancellation, we could [virtually] dispense with aid. Money we get today as new loans or grants goes out tomorrow in debt service." ■

'No development without health'

World Health Organization Director for Africa Ebrahim Samba

interview

***Both are long-term processes, Dr. Ebrahim Samba of the World Health Organization told* Africa Recovery.**

The health sector is not delivering services to Africa's people, declares Dr. Ebrahim Samba, director for Africa of the World Health Organization. Health sector reform requires reform of the entire civil service because you cannot isolate and forget about education, agriculture and so on, he adds. But building the necessary consensus among national leaders, ministers, civil society and donors "is very difficult."

Another problem, says Dr. Samba, is having enough resources and commitment for what is a long-term process (between 20 and 50 years). Asked about progress in securing greater budget allocations for health, he recalled the agreement made by African health ministers at a 1995 regional meeting in Brazzaville for all governments to allocate 5 per cent of national budgets to health, at a time when the average was 3-4 per cent. Governments are responding, Dr. Samba says, noting that some are spending over 14 per cent of the budget on health, with the average around 8-9 per cent.

But increasing the total allocation is not enough. Distribution is also vital, as many governments "are still spending too much on curative hospitals and not enough on prevention and primary health care, on childhood diseases that are controlled by very cost-effective immunization, on identifying priorities and really targeting them with budgetary reallocation." The total share of budget is very important, but reallocation is also very important and "we are still struggling with that."

By improving governance, the continent's image can be enhanced, contributing towards building a constituency for Africa in donor countries.

Asked if health is no longer a "soft target" in structural adjustment, Dr. Samba is emphatic: "Oh yes! It was clear that structural adjustment hit health and education very badly. Among those people that were forcing structural adjustment, many now admit the negative effects. Structural adjustment said you must not recruit any more teachers and hospital workers; you must reduce their salaries. But you cannot improve the health of a country if you don't improve education and primary health care. These are the things that make the difference in terms of maternal and infant mortality and life expectancy. If you want to make an impact on health, you have to educate the people, particularly the women and girls, and also invest in basic health services. This was one of the things that structural adjustment attacked. Now, it is structural adjustment 'with a human face.' They have changed." ■

Competition

from page 31

Defining competitivity as "an ensemble of technical criteria for profitability that include technological means as well as human resource development," participants worked their way through the internal and external factors that determine Africa's progress in this area. Should Africa seek to leverage its largely unskilled and low-cost workforce, or should the emphasis be on developing economic activities that require a highly skilled workforce and facilitate the growth of "high-tech" research? In either case, said Mr. Amin, the basic issue is to enhance competitiveness, but "the strategies must also differ."

Some speakers continued to insist on a preponderance of profitability criteria in their definition of competitivity. Others, such as Mr. Amin, questioned this approach — favoured in the dominant schools of business and management — and suggested that the notion of competitivity must itself be put in the context of an overall development strategy, with a clear indication of Africa's own priorities.

Dakar Declaration

By the end of the debate, a consensus emerged that the absence of planning and the lack of a perspective on the future limit Africa's ability to draw up a viable development strategy and become competitive. Participants agreed that it is vital, therefore, to lay the basis today for an appreciable level of competitivity tomorrow.

Participants stressed, in their Dakar Declaration, that analysis must start by identifying the external and internal obstacles to development that also stifle the creative initiative of thousands of small entrepreneurs.

The declaration notes that a number of African countries have established viable frameworks to promote economic recovery. However, it states, such recovery may not be achieved if the declines in Africa's export earnings and in its inflows of foreign direct investment are not halted and reversed.

"This is all the more true when changes in the global economy and in geopolitical relations are taken into account," says the declaration. "The most significant phenomenon of all is that of globalization which has brought about the integration of goods, services and capital markets. These new linkages of global commerce require a commitment to and observation of new regulations." For Africa, it concludes, "This in turn means considerable challenges." ■

Simple engine transforms village life

UNDER THE BAOBAB TREE

The African Baobab is one of the world's hardiest trees, thriving in even the most arid environment. It is also the tree under which some Africans traditionally meet to decide issues of common concern.

by
Djibril Diallo
Director, Division of Public Affairs, UNDP

The technocrats of the UN Development Programme (UNDP) who are trying to promote it use the term "multi-purpose platform." But to the thousands of villagers whose lives it has touched — and changed — across Mali, it is the "magic machine." For them, no other term fully describes the transformation that the machine has brought to the way life is lived in their communities. And there are now 45 such villages, most located in the country's hinterland where electricity and other modern facilities are rare luxuries.

"It has made our lives easier," said Ms. Kani Sidibe of Balanfina village, near the Guinean border. She was talking to a group of international journalists who came recently to see the platform installed in her village. Before the platform, Ms. Sidibe spent six hours each day pounding millet in order to get enough for her family and for sale at the market. She then spent another four hours going to the stream to fetch water for domestic use. Now, she grinds the millet in minutes and draws water from the pump, completing all her tasks within an hour, thanks to the platform.

Anchored on a conventional 10-horsepower diesel motor, the platform generates mechanical power which can be used for any number of economic activities. Several simple attachments can be hooked up to turn it into a food processor, crusher, grinder or shredder. It also can be used to power electric motors to pump water, generate electricity, weld, drill or saw.

The motor is mounted on a heavy horizontal metal frame whose rigidity provides stability during operation and permits the platform to be moved around. Because the platform relies on readily available technology, the most modern of which is from the 1930s, local artisans have no difficulty in fixing and maintaining it. Besides, nearly all the modules, except for the electrical alternators and pumps, are made in Mali with locally available materials.

A unique feature of the platform is that although it is designed to run on diesel, it also runs on pourghere oil, which is obtained from a plant that grows easily in populated regions of Mali. One litre of fuel used to crush pourghere seeds can yield up to 21 litres of pourghere fuel.

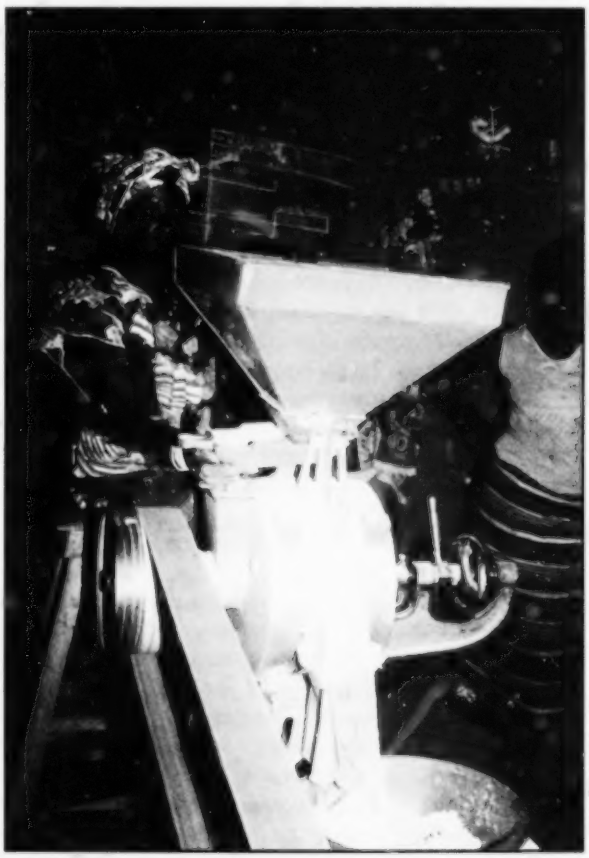
Because of its modular concept, the platform is easily adapted to meet a wide variety of needs, with minimal idle time. A different module is easily connected to the motor to respond to the different needs as the days or seasons change.

In a country like Mali, where electricity is still a distant reality for most rural communities, the impact of the machine on daily life has been dramatic. By switching from human and animal energy sources to the platform, rural Malians, particularly women like Ms. Sidibe, have seen a significant reduction in their daily workload. In turn, they are able to devote more time to other income-generating activities such as market gardening and trading.

Women manage platform

To help ensure that the benefits reach more Malians, UNDP is helping villages to finance and install the platform. Each village is asked to select and train a group of women to operate and manage the platforms, including the sale of the services. The villages are also requested to demonstrate their commitment to maintaining the machines by mobilizing some of the funds needed to purchase it. Nearly 50 villages now have the platform. The target is to cover 500 villages in five years.

Cereal processing has been the platform's main revenue-generating activity. It also is popular for powering water pumps. In the communities where it has been installed, people no longer have to spend hours searching for water for domestic use. Moreover, by making electricity available, the platform has had a big social impact on village life, making possible such activities as evening classes for those unable to attend regular classes, refrigeration and use of television. ■



Versatile "magic machine" eases labour burdens of rural women in Mali.

AFRICA AGENDA

FUTURE EVENTS

14 September-December 1999, New York — 54th session of the UN General Assembly.

10-15 October, Durban (South Africa) — Global Integrity: 2000 and Beyond — Developing Effective Anti-Corruption Strategies will be the theme of the Ninth International Anti-Corruption Conference. Contact Melanie Campbell, tel (27-11) 442-6111, fax 442-5927, e-mail <melanie@eventdynamics.co.za>.

20-21 October, Dakar (Senegal) — Conference on Industrial Partnerships and Investment in Africa, organized by the ECA, OAU, UNIDO and the African Development Bank. Contact Kadress Vencatachellum, tel (43-1) 26026-3043/3825/3154, fax 26026-6854, e-mail <kvencatachellum@unido.org>.

25-29 October, Addis Ababa (Ethiopia) — African Development Forum 1999: The Challenge to Africa of Globalization and the Information Age. Organized by the ECA. Contact Karima Bounemra, tel (251-1) 51.16.67, fax 51.44.16 e-mail <bounemra.uneca@un.org>, <www.un.org/depts/eca/adf>.

25 October-5 November, Bonn (Germany) — Fifth Session of the Conference of the Parties to the UN Climate Change Convention. Contact Michael Williams, tel (41-22) 917-8242/44, fax 797-3464, e-mail <mwilliams@unep.ch>.

7 November, Nairobi (Kenya) — All Africa Peace Conference, organized by Kenyan NGOs. Contact Megan Burke, The Hague Appeal for Peace (New York office), tel (1-212) 687-2633, fax 599-1332.

7-13 November, Scottsdale, Arizona (US) — Conference and Expo on Business, Trade and Investment Opportunities in Africa, organized by AMI Business Promotions, Inc. Tel (1-602) 279-7278, fax 279-7703, e-mail <amicon@goodnet.com>.

18-20 November, Lieden (The Netherlands) — Africa Ten Years After: Re-examining the Post-Cold War Period and the Challenges, Achievements and Failures of the Organization of African Unity, organized by the Organization for Peace and Appropriate Development for the Horn of Africa, tel (31-71), 514-8117/0953, fax 514-7550, e-mail <pada.foundation@wxs.nl>.

12-13 December, Johannesburg (South Africa) — African Risks and Company Outlooks, conference organized by Global Pacific & Partners. Contact Babette van Gessel, tel (27-11) 782-3189, fax 782-3188, e-mail <babette@global.co.za>.

WHAT HAS TAKEN PLACE

27-28 September, New York (US) — UN General Assembly Special Session to Review the [1994] Programme of Action for Small Island Developing States. Tel (1-212) 963-6870, fax 963-1186, e-mail <vasic@un.org>, Web site <www.un.org/esa/sustdev/sids.htm> or <www.sidsnet.org>.

9-11 September, Baltimore, Maryland (US) — East Coast Regional Summit on Africa, co-sponsored by the Africa-America Institute. Tel (1-202) 667-5636, fax 265-6322, e-mail <summit@aaionline.org>.

8-11 August, Lake Buena Vista, Florida (US) — US-Africa Trade and Investment Symposium, organized by the US-Africa Education Foundation. Tel (1-860) 292-3066.

2-3 July, Paris (France) — Protecting People in Times of War, international conference organized by Médecins du Monde and Amnesty International. Web site <www.nirvanet.net/warvictims>.

24-25 June, Addis Ababa (Ethiopia) — Africa Regional Hearing on the theme "The United Nations in the 21st Century." A forum organized by the ECA as part of a broad consultative process leading up to a UN Millennium Summit of Heads of State and Government in September 2000. Contact Ali Todaro, tel (251-1) 510.195, fax 510.164, e-mail <todaro@un.org>.

AFRICA BOOKS

Our Continent, Our Future: African Perspectives on Structural Adjustment by Thandika Mkandawire and Charles C. Saludo (Africa World Press, Trenton, New Jersey, US; 1999; 176 pp; $21.95)

Foreign Direct Investment and Development: The New Policy Agenda for Developing Countries and Economies in Transition by Theodore H. Moran (Institute for International Economics, Washington, DC, US; 1999; 191 pp; $20)

Designing Privatization Strategies in Africa: Law, Economics, and Practice by Gerald Bisong Tanyi (Praeger Publishers, Westport, Connecticut, US; 1997; 140 pp; $55)

Aid to Africa: So Much to Do, So Little Done by Carol Lancaster (University of Chicago Press, Chicago, Illinois, US [for the Century Foundation, New York, US]; 1999; 272 pp; hb $49, pb $22)

Fair Shares: Ethics and the Global Economy by Timothy Gorringe (Thames and Hudson, London, UK; 1999; 111 pp)

Learning from South-North Links in Microfinance, ed. Ben Rogaly and Chris Roche (Oxfam, Oxford, UK; 1998; 42 pp; $11.95)

Judging War Criminals: The Politics of International Justice by Yves Beigbeder (St. Martin's Press, New York, US; 1999; 224 pp; $65)

New Diasporas: The Mass Exodus, Dispersal and Regrouping of Migrant Communities by Nicholas van Hear (University of Washington Press, Seattle, Washington, US; 1998; 256 pp; $22)

Private Armies and Military Intervention by David Shearer (Oxford University Press, Oxford, UK; 1998; 224 pp; $13)

World Politics and African States by William Reno (Lynne Rienner, Boulder, Colorado, US; 1998; $269 pp; $52)

La France militaire et l'Afrique by Audré Dumoulin (European Institute for Research and Information on Peace and Security [GRIP], Brussels, Belgium; 1998; 125 pp; 495 FB)

Educational Reform and the Transformation of Southern Africa by Dickson A. Mungazi and L. Kay Walker (Praeger, Westport, Connecticut, US; 1997; 240 pp; $52.95)

Green Land, Brown Land, Black Land: An Environmental History of Africa, 1800-1990 by James C. McCann (Heinemann, Portsmouth, New Hampshire, US; 1999; 224 pp; $24.95)

The National Wealth of Nations: Harnessing the Market for the Environment by David Malin Roodman (W.W. Norton, New York; 1998; 224 pp; $13)

The Feminization of Development Processes in Africa: Current and Future Perspectives, eds. Valentine Udoh James and James S. Etim (Praeger, Westport, Connecticut, US; 1999; 256 pp; $59.95)

Nigeria: Struggle for Stability and Status by Stephen Wright (Westview Press, Boulder, Colorado, US; 1998; 250 pp; $69)

Mission Improbable: The World Community on a UN Compound in Somalia by Helen Fogarassy (Lexington Books, Lanham, Maryland, US; 1999; 352 pp; $45)

Mandela: The Authorized Biography by Anthony Sampson (HarperCollins, London, UK; 1999; 678 pp; £24.99)

African Development Perspectives Yearbook 1997/98: Good Governance and Economic Development, edited by Karl Wohlmuth, Hans H. Bass and Frank Messner (LIT Verlag, Munich, and Transaction Publishers, Piscataway, NJ; 1999; 650 pp).

In what ways can good governance in Africa be strengthened, especially to advance the continent's economic and social development? That is the central theme of the latest edition (Volume 6) of the *African Development Perspectives Yearbook*, the main English-language publication on Africa from Germany, compiled by researchers at the University of Bremen.

In addition to numerous documents and speeches, the yearbook includes more than two dozen articles from a variety of authors (from Africa, Europe and the US) looking at democracy, civil society participation, the struggle against corruption, human rights, the role of local government, the management of natural resources and environmental protection. Some of the articles take a continental perspective, while others present specific case studies (Burkina Faso, Burundi, Ghana, Kenya, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Zimbabwe).

AFRICA WATCH

WTO/UNCTAD

African negotiators set for trade talks

While globalization and liberalization of the world economy have created opportunities for well-prepared economies, "Africa has been among the regions that have not fared well," Ms. Lalla Ben Barka, Deputy Executive Secretary of the UN Economic Commission for Africa (ECA), noted at a 21-23 July meeting of African trade experts and negotiators in Addis Ababa. Africa's share of world trade, she pointed out, today stands at just 2 per cent.

The meeting, organized by the ECA in collaboration with the Organization of African Unity, World Trade Organization (WTO) and UN Conference on Trade and Development (UNCTAD), sought to help African countries prepare their negotiating positions for two major upcoming international gatherings: the third WTO ministerial conference in the US city of Seattle during 30 November-3 December, and the tenth session of UNCTAD in Bangkok, Thailand, 12-20 February 2000.

Meeting participants agreed that in Seattle, African countries will press for having a development dimension built into future trade agreements, greater transparency in the WTO's operations, and special and differential treatment for least developed countries acceding to WTO agreements, including flexibility in the tariff reductions expected by such LDCs.

At UNCTAD-X in Bangkok, they will recommend greater cooperation between UNCTAD, the World Bank and International Monetary Fund at the country level to help translate policy ideas into practical programmes. The UNCTAD session also should mobilize support for widening the Heavily Indebted Poor Countries (HIPC) debt relief initiative to include more countries, as well as to take into consideration development indicators in determining eligibility. "It is clear that without a substantial reduction in the level of external debt," declared a statement of the Geneva-based African negotiators, "the marginalisation of Africa will continue." ■

INVESTMENT

Africa seeks more industrial partnerships

The need to accelerate Africa's industrial development was the theme of a special session held during the June summit meeting of the Organization of African Unity (OAU) in Algiers (see pages 8-9). Addressing the session — the first time a "mini-summit" devoted to a specific economic development issue was held within an OAU summit — UN Industrial Development Organization (UNIDO) Director-General Carlos Magariños stressed that since "industrial development is the most sustainable way to create employment and reduce poverty, it deserves much higher priority in the spectrum of social and economic development strategies." More foreign direct investment also should be attracted, participants agreed, by highlighting the continent's considerable investment potential (see pages 26-27).

Organized by the Presidential Patrons Group of the Alliance for Africa's Industrialization (AAI), which is chaired by President Henri Konan Bédié of Côte d'Ivoire, the meeting pledged to spare no effort to double Africa's industrial production by the year 2010.

According to UNIDO figures, manufacturing value added (MVA) in Africa (excluding South Africa) amounted to around $50 bn in 1996, but may reach as much as $60 bn this year, with South Africa accounting for another $25 bn. Although the bulk of manufacturing output is generated by about 10 countries, a number of smaller African economies have achieved significant growth in industrial MVA during this decade (see graph). Nevertheless, Africa's total MVA remains only about 1 per cent of the world figure, compared with 5 per cent for Latin America and 8 per cent for Asia (excluding China).

With the aim of attracting greater external investment and donor assistance for Africa's industrialization efforts, UNIDO, OAU, AAI, the UN Economic Commission for Africa and the African Development Bank are organizing a conference on "Industrial Partnerships and Investments in Africa" in Dakar, Senegal, on 20-21 October 1999. African governments will outline their investment incentives and industrial policies and present carefully worked-out investment projects. ■

Africa's industrial leaders

Source: UN Africa Recovery from UNIDO data

NETAID

Internet gateway launched to fight global poverty

Seeking to utilize the unique capabilities of the Internet to promote development and fight poverty across the globe, the UN Development Programme and Cisco Systems, a California-based computer networking company, officially launched "NetAid" on 8 September. Primarily a Web site, but also with linkages to television and radio, NetAid aims to establish "a virtual community committed to change," according to its launch statement. Former South African President Nelson Mandela, US President Bill Clinton and UK Prime Minister Tony Blair were the first to log on to the Website <www.netaid.org>. The Website hopes to eventually get more than one billion "hits."

NetAid will focus attention on successful development initiatives and strategies, highlight humanitarian emergency situations, and promote "millions of concrete actions including donations of time, expertise, goods or money." It also will help developing country partners gain access to and learn to utilize new technologies. ■

The World Trade Organization's General Council has elected two Directors-General, each to serve a three-year term. Mr. Michael Moore (left), former Prime Minister and Minister of Foreign Affairs of New Zealand, will serve from 1 September 1999. He will be succeeded by Thai Deputy Prime Minister and Minister of Commerce Supachai Panitchpakdi.